

AMERICAN LIFE CONVENTION NUMBER

# The National Underwriter

A WEEKLY NEWSPAPER OF INSURANCE

FRIDAY, OCTOBER 28, 1927



## Peoria Life Insurance Company

Peoria, Illinois

### *Modern Service for Modern Agents*

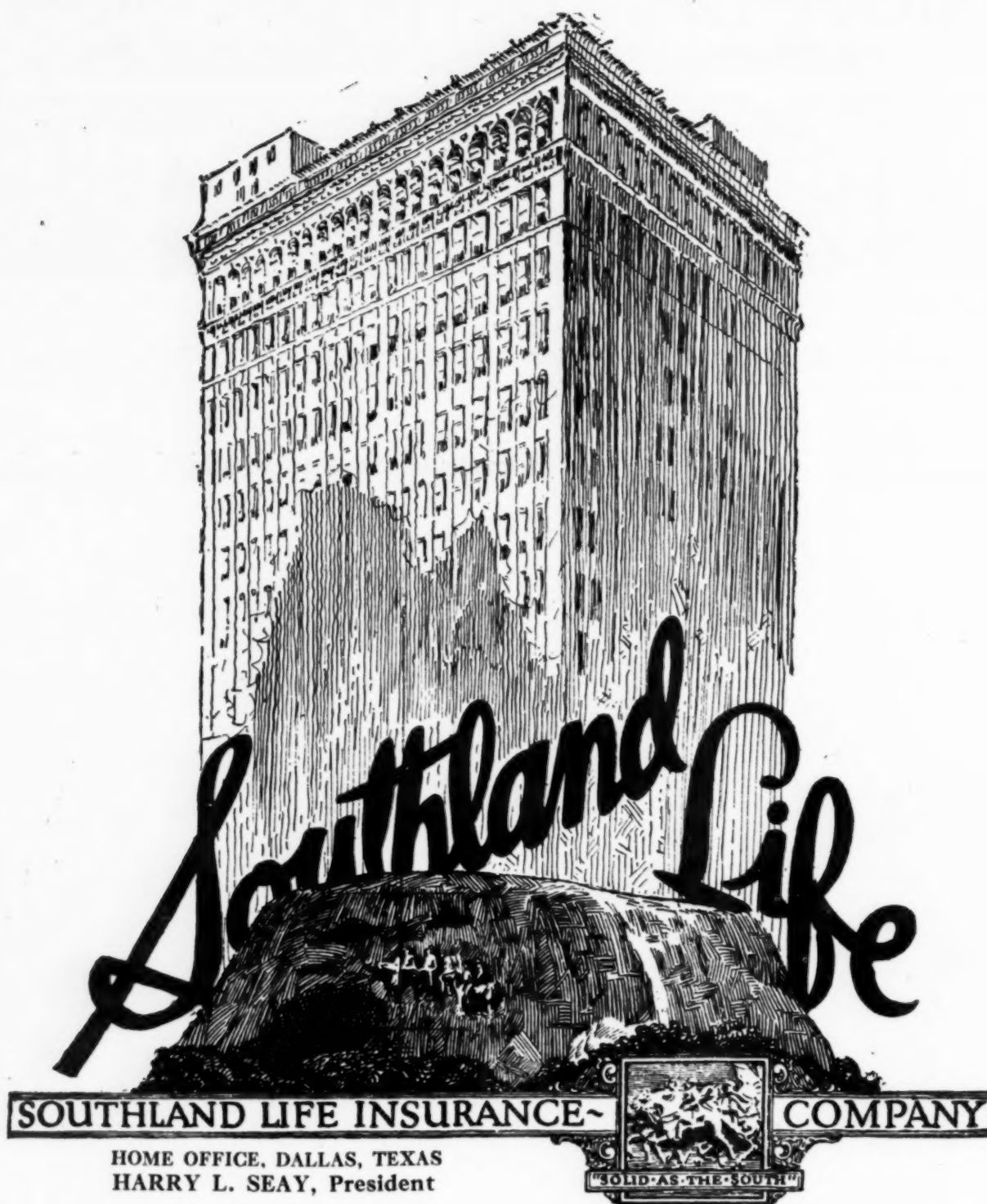
Never for a moment during its existence has the Peoria Life lost sight of its original intention: to provide for its agents and its policyholders every service of modern life insurance. The history of the Company since its beginning nineteen years ago is plentifully sprinkled with illustrations of this principle:

Peoria Life agents may insure women on equal terms with men, including disability benefits, and children of any age with full protection at age five. Liberal double indemnity and disability features are available. Our substandard department enables Peoria Life agents to deliver a policy on every application. A thorough three months'

course in the principles of life insurance and selling, and the facilities of a complete direct mail prospect service, are at their disposal. Non-medical business may be written up to \$3,000.

Progressive life insurance agents are ambitious to broaden their field of usefulness and to increase their earnings. They find a big advantage in a company connection that allows them to offer their prospects the widest possible range of life insurance service.

There are practical limits, established by sound business principles and approved actuarial standards, which a company must observe in gratifying so natural a desire on the part of its Agency Force. Within these limits, it has been and will be the purpose of the Peoria Life to put into its agents' hands every modern device for complete and up-to-date life insurance protection.



**SOUTHLAND LIFE INSURANCE COMPANY**

HOME OFFICE, DALLAS, TEXAS  
HARRY L. SEAY, President

CLARENCE E. LINZ  
*Vice-President and Treasurer*

H. B. SEAY  
*Vice-President*

P. N. THEVENET  
*Vice-President and Secretary*  
SEAY, SEAY, MALONE & LIPSCOMB  
*General Counsel*

P. V. MONTGOMERY  
*Vice-President and Actuary*

DR. JOHN S. TURNER  
*Medical Director*

DR. J. T. MONTGOMERY  
*Medical Director*

## The Southland Life Believes In---Advertising

This company is a liberal user of space, not only in insurance trade journals, but also in newspapers and magazines. Its campaigns are carefully planned by experts. The effect is proving of inestimable worth to its agents.

A connection with the Southland Life, brings to your assistance the powerful force of planned advertising in various classes of publications. It gives you a distinction among agents and a background for sales.

For information regarding contracts and open territory, address:

**CLARENCE E. LINZ**  
First Vice-President and Treasurer

# WELCOME TO TEXAS!

*"Stay is a charming word in a friend's vocabulary."*

The happy Shield Family, more than five hundred strong, in thirteen District Offices throughout Texas, joins all Texas Companies and friends in extending a most hearty welcome to members of the American Life Convention now in session at Dallas.

May your stay in Dallas be not only pleasant, but profitable. May each of you return home with a friendly feeling for the city and state.

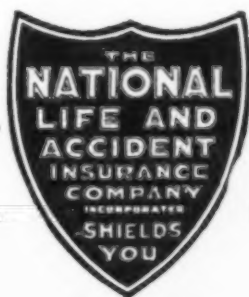
## THE NATIONAL LIFE AND ACCIDENT INSURANCE COMPANY

(Incorporated)

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W. H. JULIAN, Western Manager  
1335 Dallas Athletic Club Building, Dallas, Texas

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on WSM

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# A Message of Importance to Life Insurance Executives

EVERY writer on life insurance—every thinker and executive has stressed the necessity of adequate life insurance coverage. There is general agreement among life underwriters that life insurance as it is sold today is inadequate. The reason is not hard to find. The difficulty has always been in the solution.

The American public is still thinking of life insurance in terms of lump sums. Five, ten and twenty thousand dollars to the average man is quite an accumulation. In terms of monthly income, however, these amounts lose their importance.

The Shields Insurance Incometer is the answer to the problem. This instrument picturizes and dramatizes life insurance in terms of monthly income. The prospect uses the instrument himself. He discovers for himself the inadequacy of seemingly large lump sum policies. That the Incometer successfully routs the old bogey of lump sum is attested to by the thousands of enthusiastic letters which we are continually receiving from agents.

The Shields Insurance Incometer has sold on sight wherever it has been presented. We are certain that you, too, will be impressed with the utility and practicability of this instrument. We would like to send you full details on how these instruments may be used in production contests and the various ways in which your agents may become equipped with them. Won't you have your secretary address a request for detailed information over your letterhead today?

**Lanquist & Leeston-Smith Inc.**

METROPOLITAN TOWER  
One Madison Avenue New York City



# The National Underwriter

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AMERICAN LIFE  
CONVENTION NUMBER

## Life Convention Broadens Its Field

One New Section Established at Dallas Meeting and Two Others Authorized—O. J. Arnold Selected as New President

### Elect Arnold President

*Convention Headquarters,  
Dallas, Tex., Oct. 28.*

THE American Life Convention adjourned today after electing Oswald J. Arnold, president Northwestern National Life of Minneapolis, as president. He was the logical man for this high position because of his very intelligent and faithful service to the organization. He assembled the data on lapses which was the basis for the illuminating report presented a few years ago. He also did splendid work on the committee that investigated total disability claims. Mr. Arnold is a man of discriminating judgment, keen ability and comprehensive experience.

### Is Building Up a Splendid Company

Mr. Arnold is doing a big piece of work in developing the Northwestern National Life. He is making it a company of real service. Mr. Arnold is especially interested in conservation of life insurance. In his own company he has put forth special effort to reduce lapses.

He will continue the strong, vigorous constructive policy inaugurated by President Woollen and in addition will contribute his own personal qualifications. In this time when the American Life Convention is inaugurating important movements, it is fortunate that a guiding hand of the type of O. J. Arnold is at the helm. He is a thinker and he will give his best effort to his new position.

### NEW OFFICERS ELECTED

#### PRESIDENT

Oswald J. Arnold, President Northwestern National Life of Minneapolis

#### SECRETARY AND GENERAL COUNSEL

Claris Adams, St. Louis

#### EXECUTIVE COMMITTEE

New Members: H. M. Woollen, American Central Life; C. B. Robbins, Cedar Rapids Life; Daniel Boone, Midland Life of Kansas City. Holdover Members: Clarence L. Ayres, American Life; C. W. Gold, Jefferson Standard Life; H. B. Arnold, Midland Mutual Life.

Next Meeting Place—St. Louis.

### Enlarge Scope of Work

*Convention Headquarters,  
Dallas, Tex., Oct. 28*

THE members of the American Life Convention naturally have been watching the work of the year under the new secretary and general manager, Claris Adams. He took his position a year ago, following the Detroit meeting. The new administration meant a decided change in the general policy of the organization because a younger man was taking hold. The executive committee had decided to enlarge the scope of the organization and make it of greater service to the member companies. Furthermore the American Service Bureau now was to come under the direct charge of Mr. Adams and its headquarters were to be moved to St. Louis. Perhaps the greatest surprise to the members has been the very efficient way in which Mr. Adams has developed the American Service Bureau. He displayed an ability to get at the crux of a situation, see the possibilities and appreciate the mechanics of a bureau of this character that few felt he possessed. The evolution of this service work during the year has been very gratifying to the members.

### American Convention Being Modernized

The American Life Convention is being thoroughly modernized. President Herbert M. Woollen has proved one of the most resourceful executives that the

He is closing two years' service on the executive committee.

Daniel Boone, president of the Midland Life of Kansas City, a very popular official, who has built a conservative organization, who has not sacrificed quality for quantity and who is a substantial business man, is the new member on the executive committee. Judge C. B. Robbins, the very efficient head of the Cedar Rapids Life, who was chosen last year for a one-year term, was reelected for two years. The retiring president, H. M. Woollen, as is the custom, was elected on the committee for a two-year term.

Governor Dan L. Moody of Texas, who was scheduled to give the address of welcome Wednesday morning, was

detained at the capitol, but appeared at the last session Friday, with President Harry L. Seay of the Southland Life as a personal bodyguard. He was formerly attorney general, elected by the largest majority ever given a man for that office. He was prior to that time district attorney at Georgetown. He made a record in attacking the Ku Klux and later drove the Fergusons from power. He is only 33 years old, the youngest governor in the country. He said Texas needs people. The state is anxious for outsiders to get acquainted with its varied interests.

He appreciates the activities of life insurance companies whose vast sums of money flow through so many chan-

(CONTINUED ON PAGE 10)



O. J. ARNOLD, Minneapolis  
Newly Elected President



HERBERT M. WOOLLEN, Indianapolis  
Retiring President



W. H. HINEBAUGH, Chicago  
Chairman New Financial Section



CLARIS ADAMS, St. Louis  
Secretary American Life Convention

convention has had. He has given it much time and thought. He, himself, has inaugurated a number of features. He has stood behind the scenes a good part of the time, but his gift of initiative was abundantly displayed. He deserves special credit for his handling the organization during a most important year.

At the Dallas convention there were a number of incidents that showed the up-to-date character of a modern convention. The badges themselves were evidence of thought because the names of the people were printed in large type so that they could be read some distance away. The new publicity system was everywhere in evidence. David F. Barrett was present from St. Louis headquarters to look after that end of the work. The spirit of the registration desk in charge of Mrs. L. F. Beymer, the assistant secretary, was to render the highest grade service in a most gracious way.

#### Section Established to Study Investments

The step that probably showed the greatest progress in the work of the American Life Convention was the establishment of an investment section to study financial problems. The companies in the American Life Convention are growing in size. While in many



DANIEL BOONE  
President, Midland Life

cases the question of investments heretofore has been a rather simple one in that most companies relied on farm mortgages as the basis of their investment fabric, the farm depression has swung almost all companies away from this form of security to others. It has meant therefore a departure into other fields. Many companies are investing in city loans, bonds of various kinds, public utility securities, etc. This means that more attention must be given to the investment side of a company. With much more money to invest company officials saw the necessity of a special department of the American Life Convention that will give them an opportunity to exchange views and gather information of practical value.

#### Proposal to Establish Two New Sections Approved

At the executive session Thursday night the recommendation of the executive committee that two new sections be established, one devoted to home office management and the other to general agency work, was approved. It was decided to continue the American Service Bureau as a separate corporation but bring it under the more direct control of the American Life Convention and hereafter the directors of the bureau will be the same as the executive committee of the convention.

The American Life Convention has entered on an enlarged career of greater usefulness, strength and power.

## Wednesday Session Opened With Exchange of Welcomes

PRESIDENT H. M. WOOLLEN of the American Life Convention is a thoroughgoing business executive. He believes in cutting red tape. He gets results by direct methods. He is a believer in efficient procedure. In dispatching the business he was skillful and adroit. The mechanics of the organization ran with unusual smoothness.

Governor Dan L. Moody was scheduled to speak a welcome, but was detained by state business. M. J. Norrell, general manager of the Dallas Chamber of Commerce, gave the city's greetings.

#### Insurance Commissioner Brought State Greetings

R. B. Cousins, Jr., Texas insurance commissioner, brought a cordial welcome. He proved to be an interesting raconteur, for he uncorked some sparkling stories. He was formerly assistant attorney general and at that time had all insurance matters referred to him. Mr. Cousins said insurance legislation had been largely remedial rather than constructive. Legislation in advance of abuses is hard to obtain. Members of legislatures come and go. The tenure of office of insurance commissioner is uncertain. Therefore new and untried men are dealing with insurance problems. Regulation of insurance, he urged, is necessary. The state, he said, should assist the insurance business in its development. In dealing with insurance issues, the utmost frankness, honor and mutual confidence are devoutly to be desired.

Mr. Cousins proved a cultured and captivating speaker.

Robert E. Lee Saner, leading Dallas attorney and former president of the American Bar Association, was the third welcomer.

#### Woollen Told About Convention Work

President Woollen called President O. J. Arnold of the Northwestern National Life to handle the gavel during the time the annual address was read. Mr. Woollen referred to the year as one of reconstruction. Therefore he desired to acquaint the members with what had been done and why. He wanted to clear up any misunderstandings. He went into some detail as to the actual working of the convention machinery. It was a comprehensive review of the association's work.

Orville Thorp, manager of the Kansas City Life at Dallas, extended greetings from the North Texas Association of Life Underwriters. He invited the members of the organization to attend the luncheon of the association at noon Wednesday to hear Maj. Roger B. Hull, managing director of the National Life Underwriters Association, who spoke on "The Future of the Life Underwriter."

John W. Cadigan of Spokane, assistant superintendent of agents of the New

World Life, who was introduced as the son of "our famous Cadigan," meaning thereby the picturesque and popular J. J., spoke for the Junior Association. He is a young man of colorful personality and made a hit in his address.

Claris Adams, secretary, gave an account of his stewardship and presented the main features of the year's work. The convention arose at the close of the reading of the report in tribute to the masterful work of Mr. Adams.

T. W. Blackburn, associate general counsel, and former secretary of the convention, was called forth and spoke briefly. He said Mr. Adams is the right man for the right place.

#### Estes Opens Wednesday Afternoon Session

P. M. Estes, general counsel Life & Casualty of Nashville, opened the afternoon session Wednesday in his discussion of retaliatory legislation. Mr. Estes is one of the most distinguished attorneys of the south, who wears glasses of the pince nez type with a long black ribbon attached.

Roger B. Hull, the new managing director and general counsel of the National Association of Life Underwriters, a man of large physical proportions, fine looking, easy in speech, left a most agreeable impression. He is a ready speaker and brought a fresh viewpoint to life insurance. He believes in order to reach the greatest life insurance development, there must be fullest cooperation on part of all forces in the business. He stated there is too much cooling in cooperation and too little operation.

#### Hanten Deplores Trend Toward Communism

John B. Hanten, general counsel of the Midland National Life of Watertown, S. D., declared that the country is traveling downward toward communism. He said that maternity hospitals, pension schemes, unemployment benefits and the like are all taking the place of insurance. He held that the agency organization must be purged. The men must be subject to as strict supervision as are the companies.

President Woollen had some fun when he called on Dr. H. E. Sharrer, president of the Northern States Life of Hammond, Ind., to speak. Dr. Sharrer wore his ubiquitous red cravat. He prefaced his paper with some witticisms at the expense of some well known executives. Dr. Sharrer sent out a questionnaire to many company officials to ascertain the most interesting incident in the career of each and other pertinent subjects. He used them as the basis of his fulminations. At the close of his talk Dr. Sharrer paid a tribute to life insurance that was worth while.

## Morton Bigger Is Chosen as Junior Association President

The Junior Association of the American Life Convention held its annual luncheon Wednesday, presided over by John W. Cadigan, New World Life. Morton Bigger, American Life Reinsurance, was chosen president for the new year. W. E. Bixby, assistant secretary Kansas City Life, was chosen vice-president; J. C. Higdon, assistant actuary Business Men's Assurance, secretary; J. W. Cadigan, chairman executive committee. L. L. McAllister, Pilot Life, is the fifth member of the executive committee in addition to the officers and chairman.

The Junior Association holds out particular inducements to young, unmarried

men inasmuch as its three presidents all became benedicts following their election to office. James W. Stevens, II, Illinois Life, Ted M. Simmons, Pan-American Life, and the retiring president, John W. Cadigan, New World Life, all assumed added responsibilities following their election to the high office of this organization.

#### Officially Recognized on Program This Year

The Junior Association was officially recognized on the regular convention program this year as Mr. Cadigan was given a place at the first session Wednesday morning. The Juniors held their

annual luncheon Wednesday noon over which Mr. Cadigan presided. He introduced J. B. Reynolds, president, Kansas City Life, who was the first president of the American Life Convention, and served later on in a similar capacity.

Mr. Reynolds who attended the first meeting of the organization and served as its first president, recited some of the incidents of the early days, told the moving forces that prompted the movement and made some observations on its development. Mr. Reynolds is the nestor of the association.

## Banker Pays Tribute To Life Companies' Work

A strong tribute to life insurance from the bankers' standpoint was presented Wednesday afternoon.

H. G. Scott, vice-president of the Reliance Life, read a portion of the address of James F. Burke of Pittsburgh before the American Bankers Association at Houston relating to life insurance. Mr. Burke is a former congressman and is general counsel of the Pittsburgh Clearing House and the Pittsburgh Chamber of Commerce. As to insurance he said: "After the banker's initial accomplishment in accumulating capital and applying it to the



CLARENCE L. AYRES  
President Northern Life of Detroit

promotion of large enterprises, one of the most formidable agencies in the encouragement of thrift and bringing vast sums of money together has been the insurance companies of America, whose assets at this hour aggregate approximately \$15,000,000,000.

"It requires no genius to detail the countless blessings flowing from the financial forces centered in the insurance world, the thrift they have inspired, the want and suffering they have averted, the bereavements they have made lighter to bear, and the mighty part they have played in the building of America, from the stretching of railroads across the continent to the building of towns and cities beyond the western reserve. This sort of capital, wisely furnished, is one in which every insurance executive in America should evince a pride, as money should be loved or hated for the things it does, condemned when it crushes and praised when it lifts our guerdon. No agency through which money has been combined and invested has wrought more wholesome results than American insurance. A dollar in the hour of adversity has a value all its own. Insurance is the one investment in which we are building for tomorrow and that in itself is a mighty mainspring in human achievement."

Free stenographic service was furnished the press near the convention hall by the Southland Life.



# F. W. McAllister Heads Legal Section

## NEW OFFICERS ELECTED

**Chairman—Frank W. McAllister, Kansas City Life.**

**Secretary—C. Petrus Peterson, Bankers Life of Lincoln, Neb.**

**T**HE Legal Section of the American Life Convention started its proceedings with a brief talk by President H. M. Woollen of the parent body. He was introduced by A. D. Christian of the Atlantic Life, chairman of the section. Mr. Woollen stated the Legal Section had been of vast assistance to the American Life Convention and the business in general. It played an important part in bringing order out of chaos and straightening out many difficulties.

### W. H. Eckert Discussed Famous Rascoe Case

Walter H. Eckert of Chicago, general counsel of the Federal Life, discussed the paper of Sam B. Seabee of the Midland Life, touching on the famous case of Rascoe vs. Federal Life. Mr. Eckert explained that the case as originally brought was a bill in chancery, seeking to recover the monthly installments due at the time, praying in the alternative that the present value of the future installments based on the complainant's expectancy in life, be awarded.

Mr. Eckert said that the only justi-

fication that can be offered for allowing damages for the repudiation of the contract is the injurious consequences to the complaining party because of the repudiation. The Rascoe case, he said, falls outside of reason for this rule. He feels that the court fell into error when it held that the Rascoe policy was a bilateral contract. If it were bilateral when made, it became unilateral the moment performance on the part of the insured was waived.

Mr. Eckert said that he had had a recent inspection made of Mrs. Jennie Rascoe and she is found to be in healthy condition and carrying on her usual duties.

### Jones Says Not to Waive Juries

J. C. Jones, Sr., of St. Louis contended that it was always dangerous in the federal court to waive a jury trial in law cases because it may be impossible to get the questions reviewed on appeal. He said that in important cases where an adverse decision is likely and may bring disastrous results, a company should not only consider the effect on itself but all members of the organization. The important thing now, in his opinion, is to see that this case does not go further. He feels that the doctrine enunciated in the Rascoe case will ultimately be repudiated. It was voted to have a special committee formulate a clause to add to a letter where liability in such cases is denied that will properly protect a company.

### Uniform Insurance Code Discussed by Blackburn

T. W. Blackburn, associate counsel, American Life Convention, in discussing the paper of Charles Grilk, general counsel, Register Life, said that real progress is being made in uniformity of insurance laws. He feels that the model insurance code recommended by the insurance committee of the American Bar Association should be commended. He explained that the committee headed by William BroSmith of the Travelers embraced in it only the fundamentals, and did not introduce controversial issues which would lumber up a code and handicap it. He said that any issues of this kind should be embodied in bills and introduced in legislatures. Debatable questions, he said, would defeat a code. He thinks that the omissions were wise ones.

### Hanten Injects Fire in the Legal Proceedings

John B. Hanten of the Midland National Life of South Dakota injected some fire works into the proceedings when he spoke against uniform insurance laws. He said there are certain institutions that grow by strife, experiment and initiative. One of these, he contended, is life insurance. He would not like to see a uniform law on education or election system, for example. He does not think that insurance should be hampered and bound by uniform laws. Each locality, he declared, knows what is best for it. What is suitable for one state might not be for another. Each state, for instance, knows what is best for it as to investments for life companies. Standard policy provisions and forms, he held, encourage fraud. He claimed that such had increased claims in accident insurance. There is some merit, he stated, in uniform tax provisions on property. He advocated a reduction in premium tax and fees, so that there would be a sufficient fund merely to carry on the work on insurance departments.

Paul E. Price of the Old Colony Life and P. M. Estes of the Life & Casualty

discussed the paper by Joseph O'Meara, Jr., of the Western & Southern.

### Special Committee Appointed by Section

Sam B. Seabee, Midland Life of Kansas City; Walter H. Eckert, Federal Life of Chicago, and J. C. Jones, Jr., American National of St. Louis, were appointed a committee to draft a form letter to be used by companies when denying liability on disability claims that will protect them from complications similar to that in the Rascoe case.

At the Tuesday morning session, R. E. L. Saner, a prominent Dallas attorney, who was formerly president of the American Bar Association, was introduced and spoke briefly.

Secretary Claris Adams and E. M. Grossman, Central States Life, were appointed a committee to consider the advisability of having the legal bulletins that have been published printed in one volume and brought up to date. The total cost would be \$5,000 and the cost per member \$25.

### Tells of the Work of the Law Institute

W. M. Bullitt of Louisville was not present to give his paper on "Proceedings of the American Law Institute as They Relate to the Law of Insurance." C. B. Welliver, American Central Life, substituted for him and dwelt especially on the reinstatement of the law relating to agency and contract. The institute has no section pertaining directly to insurance.

The institute does not propose to deal with the law of insurance except to the extent that it comes within the laws on contracts, conflict of laws, trusts, torts, business associations or property.

Mr. Welliver reviewed the work that has so far been undertaken by the institute, stating that to date it has executed its plans in accordance with its original schedule.

### Life Insurance Will Gain From the Work

"This writer believes," he said, "that as a practical matter the institution of life insurance has very much to gain from the restatement as finally drafted being published and being accorded recognition by the court as a primary source of authority to be preferred above other sources."

"He believes that there is a possibility of their restatement being improved, though perhaps only to a minor extent, should a committee from this membership be charged by the Legal Section with the scrutiny of all of the tentative drafts of restatements, which have appeared and which shall hereafter appear, and with responsibility to discuss with the reporters if the several restatements any language contained therein, which after consideration does not seem as accurate as it might be made. Such criticism would not only be accorded consideration by the reporters, and by the members of the council of the American Law Institute, but would be undoubtedly quite welcome to them."

### Tells About the Objects of the Law Institute

In the outset of his talk, Mr. Welliver explained the objects and purposes of the American Law Institute, saying: "Its object is 'to promote the clarification and simplification of the law and its better adaptation to social needs, to se-

cure the better administration of justice, and to carry on scholarly and scientific legal work.' Its chief work is the restatement of the law; its secondary task the preparation of a code and criminal procedure."

The institute, he said, aims to publish before December, 1931, final drafts of restatements of the whole law of agency, contracts, conflicts of laws and trusts and large parts of the law of torts, business association and property, and in addition a code of criminal procedure. The institute aims to secure criticisms and suggestions from members of the legal profession and teachers of law to aid its work.

### Special Committee to Assist in Work

Allan BroSmith, Travelers; J. C. Jones and Col. Simms in referring to the work of the American Law Institute stated that in process of formation is the restatement of the law on various subjects. Each section gives a general statement of the law and this



A. D. CHRISTIAN, Richmond, Va.  
Retiring Chairman Legal Section

is divided into various parts. Eminent authorities are engaged to do this monumental work which will bring in concrete form up to date the law and its authorities from the remote past. It was decided to appoint a committee to cooperate with the editors and reporters in the compilation and editing of material relating to the subjects that have a bearing on insurance. The new chairman of the Legal Section will appoint the committee, but it was voted that Chairman McAllister and Secretary Claris Adams be made ex-officio members of that committee.

T. W. Blackburn, associate counsel of the American Life Convention, summarized his exhaustive report on legislation of the year. A. S. Lytton, Security Life of Chicago, read a memoir in tribute to Earl D. Reynolds, general counsel of the Rockford Life. Chairman Christian stated that Harry C. Bates of the Metropolitan Life, secretary of the Association of Life Insurance Counsel, was present, making it an annual custom to attend the Legal Section gathering.

### McAllister is Elevated to the Presidency

E. J. McGivney, chairman of the nominating committee, announced that Frank W. McAllister, who had been secretary during the year, was recommended for the presidency. Mr. McAllister was formerly attorney general of Missouri. He has a large private



FRANK W. McALLISTER, Kansas City  
New Chairman Legal Section

Reputation Did Not Add to the Burden

### Reputation Did Not Add to the Burden

Mr. Eckert holds that repudiation by the insurance company does not increase the insured's burden of proving his case but on the contrary, lightens it by eliminating the requirement of the policy as to preliminary proofs. The validity of the contract is in no wise impaired. Another reason he gave why the remedy of damages should not be allowed in a case like this is that it prevents the company from withdrawing its repudiation before the time of performance where the other party has not been injured by the repudiation. He stated the company should clearly have the privilege of making its investigation and denying such disability without at the same time incurring the risk of being held thereby guilty of repudiation if its decision should prove to be wrong.

He stated that it is confidently believed that if the question is ever pre-



practice and is general counsel of the Kansas City Life. C. Petrus Peterson was recommended for secretary. Mr. Peterson is a native of Nebraska, having been born in 1880. He graduated in law from the University of Nebraska, in 1909. He was appointed general counsel of the Bankers Life in 1913. He has been city attorney of Lincoln, Neb., since 1915. He served in the Nebraska house for two terms, from 1915 to 1917. He was elected to the Nebraska senate in 1919. He was a member of the constitutional convention of Nebraska in 1920. When the two officers had been elected, Chairman McAllister stated that it was the custom for the newly elected secretary to give an address. Mr. Peterson responded in exquisite style, giving one of his choice talks, for which he is noted. A typical paragraph would be the following: "The sweetness in this life does not rest in economic or professional success, but the esteem in the minds of those we cherish the most."

### Entertainment Provided Was Very Elaborate

The entertainment provided by the Dallas and other state companies for the American Life Convention was elaborate and generous in every respect.



W. L. MOODY, Galveston  
President American National

The Texas Life Convention contributed to the entertainment, Harry L. Seay of the Southland Life being chairman. The Legal Section met Monday and Tuesday. A luncheon was given to the members and their wives by the Dallas Bar Association the first day. In the afternoon the ladies were entertained at the Woman's Club, with Mrs. Frank W. Wozenrafft, wife of the general counsel of the American Life Reinsurance, as hostess. In the evening, the attorneys and their wives were guests of the Texas Life Convention at the Dallas Country Club. The women were given a drive about the city Tuesday morning. They were tendered a party at the Little Theatre Tuesday evening.

All members and guests went to the Brook Hollow Country Club Tuesday evening where there was a stag cabaret dinner given for the Legal Section and the golfers by the Texas Life Convention. Some members of the Legal Section played golf Tuesday afternoon, and others were driven about the city. The ladies were given a musicale Wednesday afternoon at the home office of the American Life Reinsurance. On Thursday evening was the annual dinner dance for the entire convention.

On Thursday morning the ladies were taken to the Dallas Country Club for lunch, and in the evening there was a dinner and bridge party at the Woman's Club.

## Office Management Problems Are Analyzed by Specialist

WILLIAM HENRY LEFFINGWELL, president of the Leffingwell-Ream Company, New York, management specialists, addressed the convention on "Office Management of Life Insurance Companies," saying:

"Though my work as a management engineer has taken me into many different industries, my experience in the life insurance field is somewhat limited. My observations, so far, however, led me to conclude that your business is not so very different, so far as office management is concerned, from any other line.

"The tremendous growth in the number of clerks in all industries has naturally resulted in forcing the problem of their assimilation on business men. So far, they have been poorly assimilated, a condition that has led to the following facts:

"In general, it may be stated that few well trained clerks are to be found anywhere; the growth of clerical work has been so swift that it has not been possible to train good office managers with sufficient rapidity to meet the demand, so the management is usually poor; the arrangement and equipment are not adequate to meet modern demands.

#### Office Management Is at Low Level

"It is perfectly natural therefore that office management at present should be at a low level, for it is difficult to bring order out of chaos in a short time. This is an explanation, but in my opinion it is not an excuse, for American business men have never had the reputation of dodging difficult problems.

"The life insurance companies are, I believe, just beginning to recognize that they have an office management problem. As evidence of this, the Life Office Management Association was formed only in 1924.

"There is a tendency to look upon the agencies as the production department of the life insurance business, an attitude which is comparable to the looseness of thinking often shown by other business men, who regard their sales department the 'real producers.' If salesmen are producers, what are we to call the workers in the factories, mills and mines? As I understand it, the raw material of a policy contract is an idea which has been developed by certain staff officers from experiences, records and other data kept by employees at the home office. It is also my idea that after the contract is sold there is still considerable work to be done at the home office in maintaining that contract. It follows, therefore, that the real production department is at the home office, and most of its employees are clerical workers.

#### Human Element Is Overrated

"It is becoming quite the vogue to dismiss all management problems with the apparently profound remark that 'the human element must be considered.' Of course the human element enters all management problems and must be considered. But where is the problem that does not have it as an important factor?

"Each official of a company has nominal charge of a number of clerks—the productive workers in his particular branch of the business. What proportion of his time does he devote to the management of these clerks? My observation shows that he spends but little time on that subject.

"Office management is a major function in any industry. It is impossible to conceive of a business managed without the office. A company with poor office management is a poorly managed company, no matter how successful it may be in making sales, for the office

cannot be neglected without adversely influencing all other factors of management. A poorly managed office is uneconomical.

"The office is a linking function. It links together the functions of all other departments of the business, and without these clerical links the business will not and cannot operate.

"The clerk is a special type of person, who requires a special type of handling. Clerical work, when properly done, requires specialized training. These trained clerical specialists will in many cases do many times the amount of work done by an untrained person and do it better. The management of clerical workers requires the full and undivided attention of a highly specialized executive. Yet in most insurance companies this work is relegated to the spare time of an otherwise overloaded official. An office of 100 persons or more cannot be managed in anyone's spare time.

#### Small Program Involves Multitude of Details

"Perhaps life insurance companies have never considered office management in that light. Some have told me that all that is necessary is to get good clerks and put them to work. But a moment's thought shows that even this small program involves a multitude of details and requires a fund of specialized knowledge that is rarely found in a good actuary or sales official.

"The following list of fifteen subjects covers the scope of office management: Arrangement, equipment, use of office machinery, correspondence, filing, stock-keeping, intercommunication, forms, routines and methods, clerical output, control of output, salary standards, turnover of employees, organization, personnel methods.

"This is but a very brief commentary on the present state of office management in life insurance companies, but it is sufficiently complete to call attention to the scope of the problem.

"One of the acute problems in life insurance offices is the peak caused by annual statements and similar emergency conditions. In many offices it has been thought that this is unavoidable. One company, by careful planning, has almost eliminated its peaks.

"It is by no means certain that all the records now being kept in offices are really valuable, and I suggest that if a scientific analysis were made of each record now being kept a good many of them would be immediately abandoned on the ground that they do not produce results commensurate with their cost.

#### Much Waste of Effort, Material Found

"Almost every file I have ever examined contained a minimum of 10 percent of useless material. And I have seen many cases where more than 50 percent of the material was junk.

"For the past 10 years I have repeatedly asserted that the average office is not 50 percent efficient. I see no reason for making an exception in the case of life insurance offices. Every year I learn of cases in which the truth of my statement has been demonstrated. The office is one of the greatest single sources of economy to be found in business today.

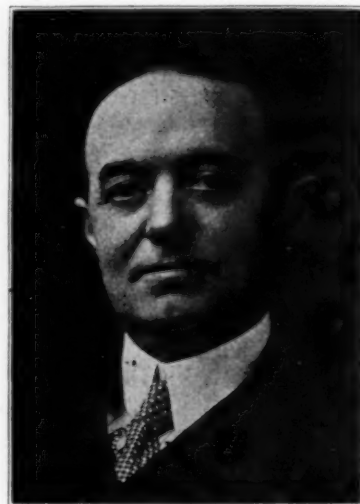
"I believe I am safe in saying that as a rule the office manager is not a recognized executive in the average life insurance office. Frequently, indeed, there is no such person. But as a rule where there is someone with the specific duties of office manager he is saddled with many other responsibilities besides, and must handle office management as a side line. I would like to suggest that each of those present make a mental

comparison of the salary paid to his office manager with that of any other important executive. It will enable him to perceive the importance which his company attaches to that position.

"If I have persuaded you to give this problem of office management the attention it deserves, you will not find it a simple matter to go out and hire a competent office manager. There are very few good ones available, and most such men have been already recognized as such by their employers, and retained. So you will have to bid rather high for their services. The best way, you will find, is to train your own. It will be necessary to begin by yourself recognizing the importance of office management, and having such recognition permeate downward to the departmental executives. The next step will be to throw heavy responsibility on the office manager, remembering, however, that there should be no responsibility without authority."

### Reception Committee of Texas Officials

The reception committee was composed of officials of companies comprising the Texas Life Convention. Harry L. Seay of the Southland Life was



J. B. REYNOLDS  
President Kansas City Life

general chairman. The other members were: Graham Dowdell, president Alamo Life of San Antonio; A. C. Bigger, president American Life Reinsurance of Dallas; James Cravens, president, American Provident Life of Houston; W. L. Moody, Jr., president American National Life of Galveston; A. R. Wilson, president Amicable Life of Waco; I. H. Kempner, president First Texas Prudential of Galveston; E. P. Greenwood, president, Great Southern Life of Houston; Layden L. Stroud, secretary and agency director Harvester Life of Dallas; Charles I. Francis, president National Security Life of Wichita Falls; H. M. Hargrove, president San Jacinto Life of Beaumont; Burke Baker, president Seaboard Life of Houston; Tom Poynor, vice-president Southern Union Life of Fort Worth; T. W. Vardell, president Southwestern Life of Dallas; S. H. Weatherford, secretary State Reserve Life of Fort Worth; John D. Mayfield, president Texas Life of Waco; J. W. Rodes, president Two-Republics Life of El Paso; D. Easley Waggoner, vice-president and general manager United Fidelity Life of Dallas; William Bacon, president Union Standard Life of Dallas; W. O. King, secretary Western Reserve Life of San Angelo.

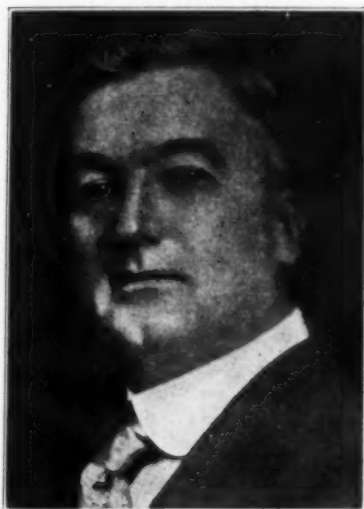
Many insurance officials arrived Sunday. Some played golf. Others found different forms of amusement.

# Financial Section Has Been Formed

THE Financial Section is the latest adjunct to the American Life Convention, it having been established at a meeting Tuesday afternoon over which H. M. Woollen, president of the convention, presided. Claris Adams acted as secretary. Mr. Woollen stated that it was the wish of the officers at this section become a "financial laboratory." The nominating committee consisting of W. H. Eckert of the Federal Life; R. T. Byers, American Central, and E. J. O'Shea, New World Life, recommended Judge W. H. Hinebaugh, president Central Life, Chicago, as chairman and R. J. Merrill, vice-president United Life & Accident of Concord, as secretary of the new section.

## Three Papers Were Read at the First Meeting

There were three papers read during the meeting, all dealing with investment problems, chiefly relating to farm mortgages. They were given by Judge Hinebaugh, Mr. Merrill and Mr. Eckert. Following the reading of the papers there was considerable discussion. A. E. Car-



HARRY L. SEAY, Dallas  
President Southland Life

roll, attorney Guaranty Life of Iowa, stated that he was firmly convinced that farm mortgages were still the best investments for the company. F. H. Rowe, president American Bankers, feels that the section should take up the subject of taxation and use its utmost endeavors to see to it that the rate on insurance companies is not increased. He thinks the company should work through the state chambers of commerce.

P. M. Estes, Life & Casualty of Nashville, stated that if a company had a mortgage of \$10,000 on a farm and could get a buyer that could pay \$2,500 in cash he felt the insurance departments would let a company carry the additional \$7,500 in its assets. He advocated that in the foreclosure of mortgages a trustee for power of sale be appointed, thus avoiding the great expense of court procedure in foreclosing mortgages. Attorneys would object to this but he thinks all interested in the cause should advocate such legislation.

## Robbins Tells About Conditions in Iowa

C. B. Robbins, president Cedar Rapids Life, said there are \$500,000,000 of life insurance company money invested in Iowa loans. Of this amount, \$450,000,000 is on farms. He said that there was a steady increase in farm values for the 25 years up to the time of the war on farms starting at \$50 or \$75 per acre and running up to \$200 per acre. Some farms sold for as high as \$600 per acre.

## OFFICERS ELECTED

### CHAIRMAN

W. H. Hinebaugh, Central Life of Chicago

### SECRETARY

R. J. Merrill, United Life & Accident, Concord, N. H.

This farm situation brought a great era of speculation. Then the price of corn dropped from \$1.75 per bushel to 25 cents. Farmers were unable to meet their obligations. There were 450 Iowa banks that failed on account of the farm smash. Many farmers had second and third mortgages on their property and found themselves swamped. They threw up their hands and turned their farms over to the life companies. He said that most foreclosures involved second and third mortgages. Col. Robbins said that in spite of this condition land values still exist. When the procession has passed by he predicted that normal conditions will again prevail.

## More Care Needed in Making City Loans

U. N. Albin, American Life of Detroit, said that more care is needed in making city loans than farm. He said that city loans involve much fluctuation. Conditions are constantly changing. His idea in getting rid of a property is to secure as large an initial cash payment as possible and then arrange for small annual payments that the purchaser can make without embarrassment.

D. T. Torrens, vice-president Kansas City Life, asked where the life companies were going to make their invest-

ments in the future safely and profitably. He thinks it will be necessary to stabilize the farm situation. Life companies are interested in the farm mortgage question now because all have been hurt. Mr. Torrens said it will be necessary to study the cause of the trouble. He feels that conditions will ultimately right themselves. Young men for some time to come will not go to the farms when they can earn so much more money in the cities.

## Hazard Seen in the Second Mortgage Plan

H. L. Cox of Fort Worth stated that it is a hazardous thing to make a loan where there is a second mortgage. He said that frequently that such a borrower would become discouraged and throw the property back on the life company. Every loan, he thinks, should have individual study and treatment. He seeks to get at the reliability of a man. He is opposed to making loans on expensive dwellings. If a man can afford to put up such a residence and maintain it he should be able to pay for it. He thinks that in most cases the man has overreached himself. He says that loans to contractors who agree to put up homes are usually unsafe. A company is liable to go as wild on city

loans as it has on farm loans, in his opinion.

Hillsman Taylor, vice-president Missouri State Life, explained the plan his company followed in disposing of its farms that it had to take over. It organized local farm corporations that would assume its mortgages. These were managed by local men. They were given local color and secured local support. He found that by localizing the management of these farms economy could be introduced and taxes reduced. He said that these corporations could either carry the mortgages or issue bonds against them. Insurance companies could buy the bonds and have the first mortgages as collateral. He said that this plan is not a subterfuge, but is an advantageous procedure in dealing with a critical situation. His company, he said, is trying to solve this problem in a practical way. He believes that standard farms will be sought after in due season. There is not the demand for farm produce as there has been in the past. Automobiles, he said, do not consume hay or corn. The doctors



JOHN W. CADIGAN, Spokane  
New World Life

## History of Junior Association of Convention Is Summarized

By JOHN W. CADIGAN

Assistant Superintendent Agents, New World Life

JUST prior to the New Orleans meeting of the American Life Convention in 1924 a small group of young men, whose privilege it had been to attend several meetings of the A. L. C., conceived the idea of forming some kind of an organization for the younger members of the Convention.

We felt that the young man attending the regular A. L. C. sessions for the first time was not acquainted with the background of the organization, its aims and ideals, and we were of the opinion that by organizing these younger men into a separate group with a definite purpose we could do much in the way of bringing the A. L. C. and what it stands for closer to the junior membership, thereby fitting ourselves for a more active participation in the work of the A. L. C. in time to come.

We were of the impression that the older members of the A. L. C. would be in sympathy with such an organization and that the parent group would endorse such a movement and lend its support.

## Company Membership in Association Increases

At the inception of the Junior Association the member companies numbered nine. In 1925 there were 17 companies represented in its membership. The following year showed an increase of seven new member companies. Today it gives me pleasure to announce that there are 47 member companies represented in the Junior Association. The member companies, as shown in the secretary's report for 1927, are as follows:

American Bankers, American Life, American Life Reinsurance, American Life of Detroit, American Central Life, Amicable Life, Atlas Life, Bankers Reserve Life, Business Men's Assurance, Capitol Life, Cedar Rapids Life, Central Life, Central States Life, Connecticut General Life, Equitable Life, Detroit Life, Eureka-Maryland Assurance, Federal Life, Franklin Life, Great Northern Life, Home Life, Illinois Life, Kansas City Life, Merchants Life, Mid-Continent Life, Midland Mutual Life, National Fidelity Life, New World Life, Northern Life, Ohio National Life, Old Line Life, Pan-American Life, Peoples Life, Peoria Life, Pilot Life, Western & Southern, Register Life, Reinsurance Life, Reserve Loan Life, Scranton Life, Security Life & Trust, Southeastern Life, Southern States Life, Southland Life, Standard Life, United Fidelity Life, United Life & Accident, American National.

## Encouragement Has Aided Growth

This growth, I am sure you will agree, is a healthy one, and would never have been possible without the generous support and encouragement of the older company officials in permitting the junior members of their respective organizations to enroll in the membership of the Junior Association.

Our ultimate goal is that every member company in the A. L. C. shall have a representative in the Junior Association. If our growth in the next three

(CONTINUED ON PAGE 35)

are advising people not to eat meat. It takes more corn to fatten meat animals than it does to raise lettuce and onions.

R. T. Byers, American Central, believes that farms can be traded for securities that companies can invest in. He believes that high grade stocks should be allowed as an investment. He thinks these are safe as bonds.

H. R. Cunningham, president Montana Life, said his company does not make a loan unless it is inspected by the superintendent of the loan department or a director. His company never loans over \$25,000 on any one property. He advised companies to lay off loaning on orchard lands. He predicted that in 10 years' time the federal loan land system would be so highly developed that the desirable farm loans will go to the government. A liberal attitude on part of federal government on making loans to farmers, he declares, would be the best step it could take for the benefit of the farmers. This, however, will result in life companies being forced out of the farm mortgage field. He said that conditions in Montana, the Dakotas and Wyoming are improving and they are coming back to normal. In Montana this year, he said, the wheat crop will reach 79,000,000 bushels.

At the close of the meeting Judge Hinebaugh and Secretary Merrill were conducted to their chairs and assumed direction of the proceedings.



# Plan for Reducing Costs Presented

By **WILLIAM MONTGOMERY**  
President Acacia Mutual Life

EVERY progressive business in the land is today analyzing itself to see if economies of management cannot be effected; if waste cannot be eliminated; if production cannot be increased without additional cost, that both the business and the public may benefit.

In this commendable endeavor, seemingly no stone has been left unturned, no avenue unexplored. Have the life insurance companies kept pace with this movement? Have they assayed every item of expense and explored every avenue of cost? Have they analyzed their business methods from the standpoint of waste to see if they can reduce the cost to the consumer?

There is a well-defined feeling all over the land that the cost of life insurance can and should be reduced. This feeling is not to be wondered at. Many companies have reached a size that staggers the imagination and the business increases at a rate undreamed of a few years ago. Reservoirs of wealth that the human mind cannot grasp have been accumulated and, from the inherent nature of the business, must accumulate

expenses of management of the ordinary from the industrial business. I find, however, a table in the "Insurance Year Book" showing the expense rate to mean insurance in force of 80 life insurance companies which gives the expense rate for 1916 as \$7.20 per \$1,000, for 1926 as \$8.20 per \$1,000. That expense of management should decrease as the volume of business increases is axiomatic. Measured by this standard, we have not analyzed our expenses of management. We have not investigated the possibilities of waste to see if we are conducting the business in the most economical manner.

I do not attribute this to any indifference on the part of the management of the companies to the interests of the public, but rather to the fact that the business has been growing so rapidly and the expense spread so enormous that the management has not appreciated it and the public has not realized it. The objective of the management generally has been focused on volume of paid-for business. Expense of management has seemingly been lost sight of.

## Cost Principles Same in All Lines

The principle underlying the cost of management of life companies is or should be no different from that in any other line of endeavor. There is, however, this difference: in any other line the expense of management comes directly out of the business; in life insurance a large part of it comes directly out of the pockets of the public, with the result that there is not the same urge for analysis of cost.

Aside from mortality cost, there are five elements that directly affect the cost of life insurance and that I feel we might profitably discuss—agency contracts, lapses, excess premium charges, taxes and surplus. It is for this purpose that I am suggesting them at this time, not in the spirit of criticism of the companies, but in the hope that the public may benefit thereby.

## Field Creates Greatest Expense

We all know that the first and greatest element of expense of management in life insurance is in the field, in the acquisition of the business. So long as the companies as a whole have as their standard volume of paid-for business, instead of net gain, this will always be the hardest to control. If a person unfamiliar with the business should read the advertisements of the companies generally, and the literature put out for their field men, they could easily get the impression that there was no such thing as lapse, with all its consequent loss and waste to the public, because the thing stressed most is volume of new paid-for business. While the companies have this as their standard and dangle it insistently and persistently before the field men, they must not expect them to be particularly interested in conservation. Agency contracts as a whole emphasize it, because they put a premium on production, without any penalty on lack of conservation.

In any well-regulated and efficient business where economy is practiced and waste eliminated, an employee is required to perform a specific task to retain his position. The drone is eliminated. Life insurance business seems to be the exception. As a rule, men are continued as agents, regardless of whether they produce \$10,000 of insurance every year or \$100,000. There is no standard of production or of the amount of work they must do to keep their contract; there is

seldom a premium placed upon conservation.

## Agent Has Too Little Interest in Conservation

Agency contracts as a whole are based on a percentage of the first year's premium and a renewal or percentage for a limited number of years on each policy that renews, and this renewal or percentage is oftentimes paid whether or not the agent continues in the employ of the company, whether he renders any service or performs any work to earn it. Under such a system an agent has little to lose whether a policy renews or not. If the policy renews, he gets his renewal fee on it; if it does not, his loss is small and he is liable to figure that the time spent in renewing a policy is wasted, because he could go out and write a new one while he is trying to reinstate an old one, and get a much larger compensation therefor.

I believe our agency contracts should be founded on a different basis. We should pay the agent a good first-year commission, and we should give him a salary or renewal, or whatever it may be called, in proportion to the volume of business he keeps in force, and for his services in looking after it and conserving it, and the salary or renewal compensation should be paid only while he remains in the employ of the company and renders service therefor. If the renewals are earned when the policies are placed, and are to be paid to the agent writing the policy, regardless of the service that he renders in keeping it in force, then the renewals are deferred first-year commissions, and, as such, should be charged against the company as a liability.

## Valuable Field Men in Business Numerous

Life insurance field work, if properly handled, can be made the most attractive of vocations. A number of men appreciate its opportunities. These men are the backbone of the business. They make a splendid living out of it, are a benefit to the company that employs them, and a benefit to the public that they serve. These men hold high the ethics and standards of the business; they will not switch a policy to get the commission out of it; the companies do not have to waste time and spend money in supervising them, and their business sticks because it is well sold.

On the other hand, a large number of men come into the business simply as a means to an end. Some are talked into it; some are coaxed or subsidized into it through advances in one form or another; and some come into it because they feel they can work as they please and make an easy living. These are the men who add so very materially to the expenses of management of the companies, who make the field work so much more costly than it should be. The question arises, "Why are they kept?" Again the answer will be found in the intensity of the race for paid-for business.

## Only Those Who Serve Deserve Compensation

A profit presupposes a service. A man has no right to get a compensation unless he renders adequate service in return therefor. Under the usual renewal system a man loses nothing if he quits the service of one company and goes to another, because in many cases he will get a renewal on the business whether he is with the company or not. In some cases he even gets a renewal while he is trying to switch the business to his new connection. If agency contracts were

on the basis outlined herein, there would be fewer "floating" agents, and the public would benefit thereby, both directly and indirectly.

Next to waste in field operation and interwoven with it is the enormous waste and loss to the public through lapsation. It is commonly claimed that about 75 percent of all lapses in life insurance occurs in the first and second policy years when the policies have no surrender values. It can be safely assumed that the premiums on the business average \$30 a thousand. For the purpose of this paper and in order to be conservative I have estimated 50 percent of the business lapsed last year, or \$1,600,000,000 of insurance, was first-year business on which no surrender value was paid. If we figure this insurance at \$30 per thousand, we have \$48,000,000, which the public paid for life insurance last year and for which they received no benefit, aside from the small amount they should pay for term insurance protection. There is a direct loss to the companies, because of the cost of issuing these policies. The amount it costs to issue a



**WILLIAM MONTGOMERY**  
Washington, D. C.  
President Acacia Mutual Life

even more rapidly with each succeeding year. The potential power and influence of this wealth on our national life, concentrated as it is and directed by a few men, must sooner or later challenge the attention of the public, and the companies possessing it must justify its accumulation not only as a statutory requirement but also by handling the funds so that they are of additional service to the policyholders. If these accumulations do not point the way to economy of management and reduction in cost, will not the people naturally ask, "To what purpose is their accumulation? What real benefit are they to the public so far as cost is concerned?"

## Mortality Cost Has Been Reduced

Science, hygiene, research, medicine, have well done their part in reducing the mortality cost of life insurance. Have the managements of the companies done their part as efficiently and well in decreasing expenses of management? Last year the savings in mortality on the ordinary business of the old-line companies, or the difference between the expected and actual, was approximately \$350,000,000. This amount was saved to the public in the cost of their insurance. In 1916 the ordinary business in force in the old-line companies was \$20,000,000,000. In 1926 it had increased to \$60,000,000,000. I can find no compilation for all companies separating the



**HENRY ADELS**  
Vice-President Franklin Life

policy is variously estimated at from \$15 to \$28. Regardless of which amount is correct, the loss is great, and, if we add this to the amount of money the public paid for the insurance, the loss is staggering.

## Mortality Tables Prove More Than Sufficient

In the early years of life insurance, when the business was small and not understood as it is today, when the country was new, when we were subject to epidemics, when property values and interest earnings were not stabilized, when experience had not tested the mortality tables to prove their sufficiency, it was fitting that the companies should charge a premium large enough to guarantee security beyond question, and a surplus to provide against unforeseen contingencies. But in this day, with the mortality tables having been proved more than sufficient, with property values stabilized, and the possibility of epidemic removed, there would seem to be no good reason for the system of continuing to collect from the public a larger premium than is necessary to guarantee safety, stability and perpetuity. Yet this is just the system being pursued by the mutual companies today. True, an endeavor is made through dividends to return this overcharge at a future date, but why collect it in order to return it? As a matter of fact it is impossible for any company to return all of it. The agent gets



## THE KNIGHTS OF THE RATE BOOK

**D**ESIRE for conquest, thirst for adventure, the quest of the unknown, and the shunning of the commonplace have ever been among man's greatest motivating powers.

In each age since the beginning of time man has found some outlet for his adventuresome spirit. The knights set out, clad in unspeakably uncomfortable suits of armor, to break up the dull humdrum of life by courting the unexpected. A century or two later as man became more conscious of his physical universe he set out in almost equally ridiculous ships to tackle what lay beyond the pillars of Hercules, the rotundity of the earth, or a short passage to India. Not only were such the outlets for daring souls that could not settle down to a monotonous and orderly life, but in those achievements they won such glory as their age offered. Always this thirst for adventure, this craving for the unknown, this desire to tackle whatever dragon happened to be unslain at the moment. And all these gallant gentlemen united in considering a man who sold things as the lowest form of animal life.

But today, thanks to an ever advancing civilization and the marvelous educational facilities at our disposal, the type that once was a Ulysses, a Columbus, a Roland, a Sir Francis Drake, a Benvenuto Cellini or a Balboa, is today a salesman whose business is really the charger or the galleon on which he sets forth to seek this modern version of adventure.

What greater field for the expression of these adventuresome qualities does the modern commercialized world offer to us than the field of life insurance? Today Peter the Hermit, instead of girding men in armor, putting them on the backs of mail clad horses and sending them on crusades, is girding them with rate books and applications and putting them into Fords, Chevrolets, Cadillacs and Buicks and sending them out to preach the gospel of thrift and protection to their fellowmen. The Life Insurance business is today the greatest profession in the world. It offers something of the glory that in the past was given to the crusader, the soldier and the explorer—the test of wits, of brain, of quick thinking, the spirit of adventure, and especially the glory of personal achievement.

Making money is not the chief motivating power of the great leaders of this business, but the knowledge of the benefits which they are bestowing upon their fellowmen.

We need not shed bitter tears because there are no longer dragons to be overcome, holy sepulchers to be reft from the infidel, no Pacifics to be viewed for the first time. The life insurance field today is the Field of the Cloth of Gold.

## ILLINOIS LIFE INSURANCE CO. CHICAGO

JAMES W. STEVENS, Founder

*GREATEST ILLINOIS COMPANY*

Home Office, Illinois Life Building, 1212 Lake Shore Drive



Copyright by Anne Shriver

### Is It Worth While To Insure Such Smiles?

Once the selling of Life Insurance was considered a job of last resort—a way to impose upon one's friends...

Today, Life Insurance takes its place among the professions. Life Insurance selling demands skilled and efficient men with the spirit of service in their hearts.

The answer to the question—Is the Life Insurance profession worth while pursuing—is answered by the heading above.

**THE NORTHWESTERN MUTUAL LIFE  
INSURANCE COMPANY  
MILWAUKEE**

its share in commissions, the state gets its share in taxes, and there is the home office cost attendant upon collecting it, accounting for it and returning it to the policyholders.

The fallacy of the whole proposition is shown by the fact that some companies attempt to pay a dividend, as a return of part of it, at the end of the first year. If they did not need it, why did they collect it, use it for a year and return a part of it? If it was necessary to the safety and perpetuity of the business at the beginning of the year, it was just as necessary at the close.

The system certainly cannot be defended on the theory of safety. The stock companies are an unanswerable argument thereto. If the larger premiums charged by the mutual companies are necessary to safety, then the stock companies with their lower initial premiums must be unsafe and they should not be allowed to continue in business. But certainly no sane person will contend that they are not safe nor can it be successfully contended that the amount paid in on the capital stock of these companies in proportion to their assets and volume of business in force contributes materially to the safety of the policyholder.

#### Believes Expense Loading Unnecessary

I hazard the assertion there is not a mutual company that cannot, if economically managed, safely conduct its business on the net premium with no loading for expenses, aside from perhaps a small loading at the higher ages to adjust the inequities of the American Experience Table. If this were done the public would be able to judge intelligently as to the advantage of the mutual company over the stock company in the matter of cost. Competition between all companies would then be exactly as it ought to be, on the basis of economy of management, and not, as at present, on dividend estimates which may or may not be realized, and dividends paid would be actual earnings.

If mutual insurance were sold at the lowest possible cost, irrespective of future dividends, the public would be saved an enormous amount of money each year that they could use to pay for the other necessities of life or to buy additional insurance. The companies would save the enormous amount of time and money that has to be spent compiling and presenting these schedules to the public.

#### Taxing Activity Not Unreasonable

That taxes on life insurance have contributed materially to its cost is beyond question. Much has been said as to why taxes should be reduced. Instead of reduction, however, we find they are increasing. You all know that one of our large states and one of our outstanding insurance states materially increased its taxes on life insurance at the last session of its legislature. There is a threatened increase on the part of a number of other states. The taxing authorities are not unreasonable men, nor are they unjust or unfair men. When they increase the taxes of the companies, they are increasing the cost of their own insurance. It stands to reason, therefore, they must have some good reason for their action. I believe this reason will not be found in the reasons generally set forth, that the state needs the money. If we analyze the situation I think it will be found that the reason for the increase is that life insurance has to a great extent departed from its original scheme and purpose. It is no longer merely a protector of homes; it has become a creator of estates, and the taxing authorities, with good reason, ask, "Why should a man who creates an estate through life insurance not be taxed thereon the same as if he created it through any other method—real estate, stocks, bonds, or otherwise?"

From my standpoint, we are not logical in our arguments in regard to reduction in taxes. We are approaching the matter from the wrong angle. As

I view it, taxes in life insurance should be levied on the same principle as our federal income tax is levied. The small policies that are carried as a protection to the home should not be taxed, or, if taxed at all, a very nominal amount. The taxes should be levied in proportion to the size of policies that a man carries.

That a reasonable surplus is not only desirable but necessary in any business is beyond question. In life insurance it is especially desirable. One wonders, however, at the necessity for the large surplus that is being accumulated today by the companies under one heading or another, what real useful purpose it serves, or its real benefit to policyholders. The business has certainly advanced beyond the experimental stage and, with the growth and development of our national wealth and the general prosperity of the people, is there any reason to assume that the future generation will not be able to take care of its own obligations and necessities, without any assistance from the present? A glance at the loss and gain exhibit of the various companies shows how rapidly surplus is being accumulated. Instead of continuing to pile up a surplus beyond what prudence, safety or necessity demands or requires, why not make larger returns to the policyholders in dividends, thus reducing the cost of their insurance? Clearly understand I am not advocating a return of all surplus; I am as firmly convinced of the necessity of a reasonable surplus as any man can be. I am speaking entirely of surplus accumulations that seem to be unnecessary for safety.

#### Believes Scheme Would Result in Greater Prosperity

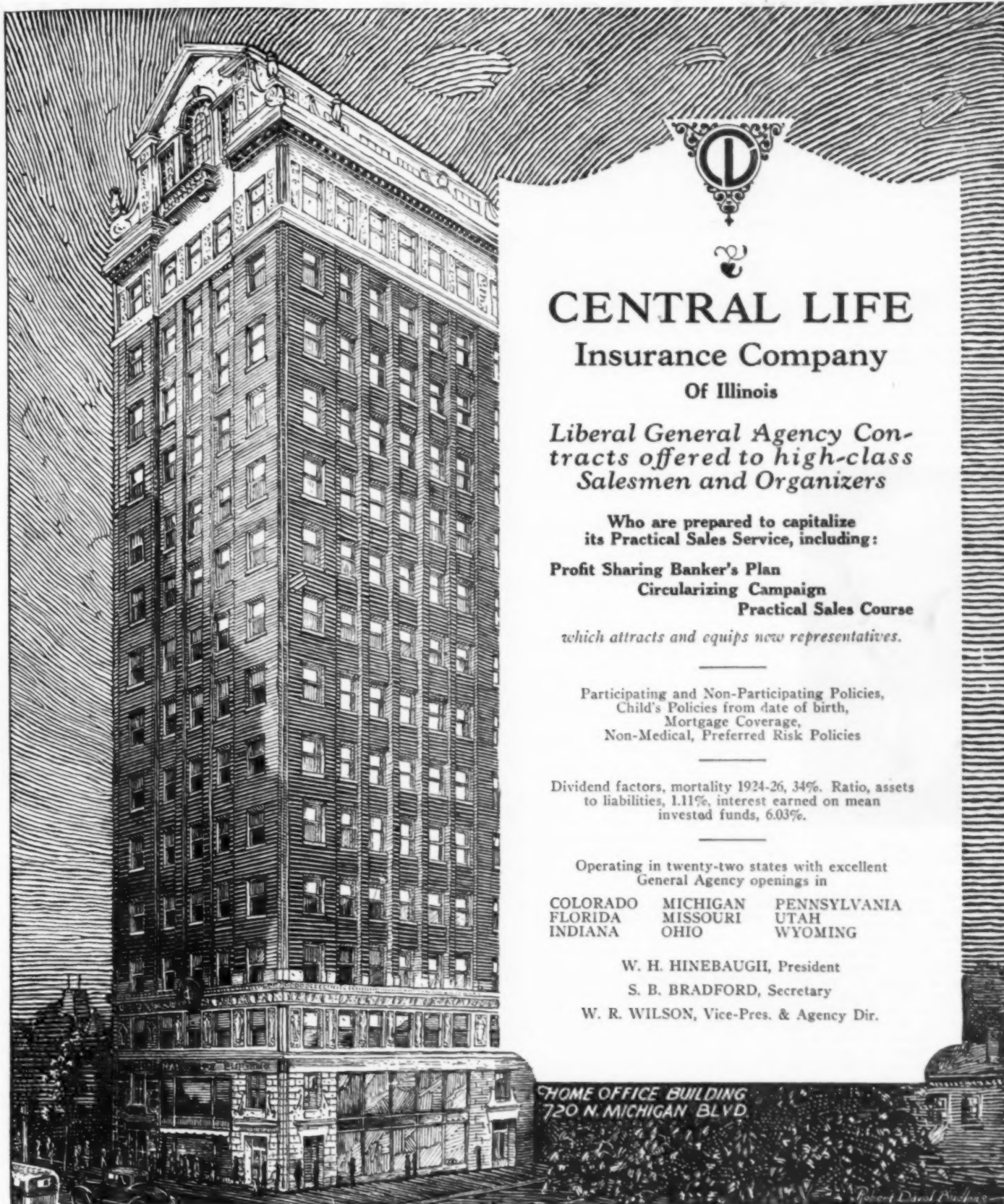
But I hear some of you say, the business is prosperous; why the necessity for change? There is no question about its prosperity. My belief is that it will be even more prosperous under the conditions outlined herein. I well appreciate the practical difficulties there are attendant on a change of any kind, particularly where the business is as old and established as the life insurance business. I know of the difficulties to be encountered in the agency plant, especially where agents have been trained to sell dividends. I can see where a different standard would have to be set up by the home office organization, and the agency force would have to be trained in accordance therewith, but I do not believe we should hesitate to make the change if the public will be benefited thereby.

That it may not be successfully said that I am speaking from theory, I desire to say that the changes outlined herein have been tried out by the association I am with and they have proven so satisfactory that its board of directors has adopted them as its fixed plan of operation for the future.

#### Cost Can Be Reduced Without Retarding Growth

That the cost of life insurance can be materially reduced without in any way retarding its growth and progress is, in my opinion, beyond question, as I have endeavored to outline herein. One of the things that contributes most to its cost and, at the same time, contributes most to prevent any reduction in it, is the mad rush for business. I can well understand why the companies would strain so hard to get a large volume of paid-for business, if the expenses of management or cost to the consumer were reduced thereby. But in view of the fact that size seems to make no difference in cost to the consumer, to what avail is all the pressure for paid-for business? How does it benefit the public in the matter of cost? If the large organizations cannot point the way to economy in management and reduction in cost, will not the people naturally say, better to have a number of smaller companies all over the land, supplying local needs in the matter of investments, employment of labor in the offices, and otherwise, rather than to have these enormous concentrations of wealth, directed and controlled by a few individuals?





## CENTRAL LIFE Insurance Company Of Illinois

*Liberal General Agency Con-  
tracts offered to high-class  
Salesmen and Organizers*

Who are prepared to capitalize  
its Practical Sales Service, including:

**Profit Sharing Banker's Plan**  
**Circularizing Campaign**  
**Practical Sales Course**  
*which attracts and equips new representatives.*

Participating and Non-Participating Policies,  
Child's Policies from date of birth,  
Mortgage Coverage,  
Non-Medical, Preferred Risk Policies

Dividend factors, mortality 1924-26, 34%. Ratio, assets  
to liabilities, 1.11%, interest earned on mean  
invested funds, 6.03%.

Operating in twenty-two states with excellent  
General Agency openings in

|          |          |              |
|----------|----------|--------------|
| COLORADO | MICHIGAN | PENNSYLVANIA |
| FLORIDA  | MISSOURI | UTAH         |
| INDIANA  | OHIO     | WYOMING      |

W. H. HINEBAUGH, President

S. B. BRADFORD, Secretary

W. R. WILSON, Vice-Pres. & Agency Dir.

HOME OFFICE BUILDING  
720 N. MICHIGAN BLVD.

# CENTRAL LIFE INSURANCE COMPANY OF ILLINOIS CHICAGO



# Retaliatory Legislation Is Discussed

By P. M. ESTES

General Counsel, Life & Casualty of Nashville

I AM not a sworn enemy to taxation. In the main I regard it as a very desirable investment. We will find that for a considerable period there will be a consistent increase in taxation, for the reason that more things are being done by the state and municipalities for the public than heretofore. Speaking generally these are such matters as can be performed collectively better and more economically than can be done individually.

Moreover, insurance companies are direct beneficiaries of such expenditures of money. They tend to the development of the individual, to his better health and greater efficiency, all of which is reflected in larger earnings for the companies.

Nor do I personally feel that insurance premiums should not bear their proper proportion of these public burdens. Regardless of my or others' feelings, however, it is unquestionably true that insurance premiums will continue to be subject to taxation.

I do not think the argument is sound that we should oppose the taxation of

were done it would be unlawful as a discrimination, for the rates and dividends are the same in all the states, whereas the taxation varies.

In the case of fire companies it is different. They do have a separate rate for each municipality. They have a base rate to which is added all burdens, and from which are subtracted certain credits. It would be entirely practical in my judgment to do the same thing with respect to life insurance premiums, and this I have argued at various conventions in the past, and doubtless the same thought has been suggested by others, but without any apparent disposition on the part of the companies to get together and enforce an addition to the premium by adding thereto the rate of taxation in the various states and municipalities. If this were done, it would not result in the repeal of such taxes, but would tend to the desirable restraint of our legislative bodies.

## Rate May Be Held to Equality with Property Tax Rate

Failing by cooperation to add the tax to the premiums, it appears to me that there lies the possibility of confining the rate of taxation on premiums to an equality with taxes on personal property, and to employ the proceeds in the relief of the companies from certain unjust impositions as payment for the triennial examinations, and the annual charge for valuation of policies. Also a certain proportion of the proceeds should be specially devoted to a health and sanitation program from which the insuring public and the companies would receive a large and direct benefit.

It may be thought by you that such a program as I outline is too involved for execution and calls for more wisdom and statesmanship than we can expect in our legislative bodies, and that more direct action by simply opposing all such taxation would meet with greater success. But I do not feel that we would be justified either in theory or practice in despairing of the ultimate realization of reasonable ideals.

## Almost All States Have Retaliatory Laws

Retaliatory laws are to be found in varying terms on the statute books of practically all the states. They are not restricted to taxation, but do find their principal manifestation in that field. In brief, the thought underlying such legislation is to impose on foreign companies the same treatment as the states of their domicile impose on companies of the state applying the retaliatory law. Such laws tend to restrain legislative bodies from raising premium taxes and other burdens on foreign companies, knowing that they would at the same time be raising taxes on their own companies in every state in which they operate. In this way the legislature of Ohio raised the tax on Ohio companies to 3 percent in practically every state in the Union.

In the early case of *Clark & Murrell v. Port of Mobile*, 67 Ala. 217, it was held that such statutes were unconstitutional. Their validity is now conceded, and the Supreme Court of Alabama would undoubtedly reverse its earlier ruling.

## These Laws Seem Clearly Retaliatory

There is discussed in decisions the question as to whether such statutes are reciprocal and therefore to be liberally construed, or retaliatory, carrying a pen-

alty, and therefore to be strictly construed. They seem clearly retaliatory, for if they were reciprocal the foreign company would be given the benefit of a lower tax in its own state, whereas in all cases the domestic or admitting state collects at least its own tax, and applies the law only so as to get more. But without regard to particular terminology or definitions, the courts have uniformly construed such statutes so as to prevent even their own states from securing a partisan and selfish advantage.

Thus a state cannot by using a different basis of calculation, or a change of method, or a distribution of insurance taxes between state, county and municipalities collect in the aggregate through the retaliatory statutes a larger sum from a foreign company than is imposed in the aggregate by the law of the latter's domicile. They cannot collect their own tax under one system and then collect the tax imposed under another name or system by the other state, provided the former equals the latter. To do so would be unjust, would result in inequality, and conduce to sharp legislative practice.

## Tax Laws of States Compared

Tennessee, in which the Life & Casualty of Tennessee is domiciled, has a tax of 2½ percent on gross premiums, but this tax is in lieu of all other taxation. In Alabama and Kentucky they have a tax of 2 percent on gross premiums, but under their laws municipalities are permitted to impose additional taxes.

The insurance commissioner of each state insisted that under their retaliatory laws they could require this company to pay 2½ percent on its gross premiums as provided by the law of Tennessee, and declined to allow a credit upon this excess ½ per cent of the amount paid in these states to the municipalities. In each state the commissioner readily agreed to submit the matter to the attorney general, and in each case the attorney general ruled that we were entitled to the credit of municipal taxes paid. The result under this ruling is that a Tennessee company should pay in Alabama and Kentucky no more than a company of such state would pay in Tennessee.

If the ruling of the attorney general had been otherwise it would have resulted that under the Alabama and Kentucky laws Tennessee companies would be paying a larger amount in those states than companies of those states would be paying in Tennessee, and it would therefore have been the duty of the Tennessee commissioner to have imposed on companies of Alabama and Kentucky a sum in excess of our tax of 2½ percent equal to the Kentucky and Alabama municipal taxes. And thereupon the Kentucky and Alabama commissioners could have raised Tennessee by a like sum, and thus the war would have gone on to the point of exhaustion.

## Premium Plans Cause Complication

The case that we principally relied on in presenting our contention in those states was *Bankers Life v. Richardson*, from the Supreme Court of California, reported in 218 Pac. 586. In that case it appeared that an Iowa life insurance company had policies issued on the assessment basis and also on the level premium plan. Under the Iowa laws there was a tax of 2½ percent on level premiums, but no tax on assessment premiums. California had a tax of 2 per-

cent on all premiums. Its treasurer undertook to apply its retaliatory law against this Iowa company and to collect 2½ percent on its level premiums. This company paid the addition under protest and brought suit to recover. Judgment was given in the lower court in favor of the state, and the company appealed. The California Supreme Court sustained the company, and gave judgment for the return of the excess on the ground that Iowa charged nothing on assessment premiums and therefore the aggregate tax that would be imposed on such a company in California of 2 percent would equal or exceed the aggregate tax of 2½ percent that would be imposed in Iowa on level premiums and no tax on assessment premiums.

While discussing this subject it might be of interest to mention the case of *Hanover Fire v. Treasurer of Cook County*, of the State of Illinois, 272 U. S. 494, and reported also in Vol. 49 A. L. R. page 713. This case involves discrimination in the matter of taxation between domestic and foreign companies, and the Supreme Court held that



P. M. ESTES, Nashville, Tenn.  
General Counsel Life & Casualty

premiums on the ground that it is a tax on thrift. It is no more a tax on thrift than the tax on the citizen's home, its furnishings, and what is necessary to his sustenance. Certainly the citizen deserves as much commendation for providing these as he does for taking out a policy of insurance. In fact they are imperative. But all are taxed.

I do not think that we can get anywhere by adopting an unsound basis of reasoning with regard to these matters. It does not appeal to the public or their political representatives, and we have no foundation on which to wage a successful fight. Nor do I see that any credence is given to the argument that such taxation results in any lessened benefits to the policyholder. Certainly in the case of life insurance no such deduction is made. There is no increase in the premiums, and I am quite sure that taxation is not reflected even in the case of participating companies by any reduction of dividends to policyholders. These taxes are absorbed by the company, and are taken care of as they are increased by savings in some other respect.

## Does Not Believe Taxes Have Reduced Benefits

I do not believe that any concrete illustration could be given to prove that there had been an increase of premium or a reduction of benefits on account of such taxation in the various states. As a matter of fact if such



CHARLES W. GOLD  
Vice-President Jefferson Standard Life

so far as that tax was concerned, it was void on that account as being opposed to the 14th amendment of the United States constitution. The statute which was attacked by the *Hanover Fire* was one which undertook to tax the net receipts of the agencies of foreign companies for state, county and municipal purposes at the same rate that personal property in Illinois was taxed.

In numerous cases in the federal and the state courts it has been held that the state has the right to make discrimination in matters of franchise taxes and license fees in favor of domestic and against foreign companies as a condition of admission of the foreign companies to do business in the state.

## Efficient Registration Desk

Mrs. L. F. Beymer, assistant secretary of the American Life Convention, had charge of the registration and the multifarious activities of that position. She was the source of information for all comers. The work was done most efficiently. She had capable assistants. The business of this desk was dispatched courteously and speedily.

Those assisting in registration were: Lorry A. Jacobs, director public relations, Southland Life; John L. Briggs, reinsurance department, Southland Life; John Murphy, assistant director public relations, Southland Life; Miss Rubye A. Conrad, Southland Life, and Miss Frances Hart, Southland Life.



## Contentment and Success

**T**OOLS with which to work and pleasant conditions under which to use those tools make for happiness that is bound to bring success in life underwriting.

The agents of this company have for years experienced that happy combination and from this experience they gave birth to that expression, "The Friendly Company," which is now a part of the company's name.

Each year the business of the Peoples Life of Indiana has increased and each year a substantial amount of this increase has come from old men with the company who have found that right tools and right conditions do make for happiness and happiness in their work make for success.

Because of this combination, if you are contemplating entering the life insurance business, your first inquiry should be directed to us. We are sure that we can convince you that it will pay you to be friendly with the

# PEOPLES LIFE INSURANCE CO.

*"The Friendly Company"*

FRANKFORT

INDIANA



# Managing Director States His Creed

**ROGER B. HULL**, the new managing director and general counsel of the National Association of Life Underwriters, made his first appearance before a gathering of company execu-



**ROGER B. HULL**, New York City  
Managing Director National Association  
of Life Underwriters

tives at the American Life Convention. In his address he said:

"All I intend to do is to try to tell you some of the things that appeal to me, even after these few short weeks, as challenging earnest thought and careful consideration. If I am wrong, you will perhaps be good enough to correct

me, and I will be better for that. If I am right, I believe we will agree that it has been good for us to be here, and to have gotten at least a little glimpse of each others' hopes and fears.

"These impressions come to you from one who until a few weeks ago was a rank outsider to your profession. Except for struggling under what had seemed at times to be a heavy load of premiums, and except for the occasional touch with insurance problems which comes into the experience of any back-work lawyer, I had had peculiarly little to do with this field of action. Perhaps on that account my enthusiasms will be too intense, with a tendency to mislead my judgment.

## Three-Part Creed Is Stated

"May I state my creed, very much as I stated it 10 days ago to my own convention at Memphis? First, I believe that American life insurance is the greatest human agency in the world. With its new adaptability to changing social and economic conditions, it has attained a remarkable practical development and has experienced an amazing growth. The trials of the pioneers have been forgotten. The recollections of the difficulties which they encountered has been engulfed in the success and expansion of their ideals. Life has taken on some new values. New factors have been added to man's achievement; new spurs to his ambition. And life insurance has been the most potent influence in that accretion. To that much of my creed you can subscribe, I am sure.

"Second, I believe this amazing growth of our institution and its very adaptability to new and changing conditions,

have developed for us, its field representatives, a broader opportunity and a higher measure of responsibility than we have ever faced before. We are today raising the standards of living of millions of people. Just as methods of government and problems of the business world have become more complex, just so have our problems become more involved, and the need for a constructive program for their solution become more urgent. Just as life insurance has had to accommodate itself to the necessities of a new industrial system, just so must we now attend to the development of a new professional philosophy. The first and essential accommodation has been evolved splendidly by the brilliant and devoted leaders in the home office.

## Plea for Full Cooperation Made

"Third, I believe that only through the means of a working alliance and of some plan of careful, constructive, yet courageous cooperation between all the agencies at work for this institution can we be sure that we are fully discharging these important group responsibilities; that the development of our professional idealism is upon the highest plane and the extension of our usefulness far-reaching.

"Unless this spoken creed becomes the basis of concerted action, it remains an empty formula. So I have tried to conceive my creed primarily as the basis for action in my own association. If I represent the field forces of the greatest human agency in the world, then it must be true that, properly controlled and directed, to tangible, definite and useful ends, no body of men

in the United States can make more conspicuous contribution to the solution of America's human problems. Then it becomes merely a question of that proper control and direction. That



**H. B. ARNOLD**, Columbus, O.  
President Midland Mutual Life

is why I am so eager to present to you my plea for counsel, guidance and support in the working out of that problem.

"I think I appreciate the difficulties and limitations of this situation as fully as I do its opportunities. I have no preconceived idea that cooperation between us is going to prove any panacea,

## Everybody Knows Federal!

Newspapers—the nation over—have advertised Federal to the Public.

Double pages, single pages, other advertisements, large and small, front and other page feature stories and convincing editorials have carried Federal's messages to millions of readers.

Today, wherever newspapers are read, Federal Representatives find prospects who know and respect the Federal and are receptive to Federal policies and familiar with the promptness and fairness with which Federal pays indemnities.

Through more than 125 leading publications in the United States the Federal has attracted the favorable attention of millions of additional potential policyholders.

Here is a gigantic market. An extraordinary opportunity for our representatives to sell more life, health and accident insurance—to sell it easier than ever before—to prospects who really want it.

## Federal Life Insurance Company

*Isaac Miller Hamilton, President*

168 North Michigan Avenue, Chicago

Assets Over \$10,000,000.00

*Operating in its 28th official year and under the same continuous, efficient, progressive management.*

## ROCKFORD LIFE INSURANCE CO.

HOME OFFICE: ROCKFORD, ILLINOIS

### OPERATING IN

*Illinois, Indiana, Iowa, Ohio,  
Michigan, Minnesota, Ne-  
braska, Kansas, Missouri, Ten-  
nessee, Georgia, Florida, Texas,  
Colorado :: :: :: :: ::*

For direct contract in any of the above States

*Write to*

**FRANCIS L. BROWN, President**

HOME OFFICE



***Our Cordial Greetings  
and Best Wishes to  
A. L. C. Members***

# The American National Insurance Company

GALVESTON, TEXAS

## Twenty-Second Semi-Annual Statement, June 30, 1927

### ASSETS

|  |                 |
|--|-----------------|
| Real Estate Owned . . . . .                              | \$ 1,248,324.42 |
| Real Estate-Contract of Sales . . . . .                  | 299,455.35      |
| Mortgage Loans . . . . .                                 | 10,488,133.39   |
| Collateral Loans . . . . .                               | 3,000.00        |
| Policy Loans . . . . .                                   | 2,557,679.35    |
| Bonds and Stocks . . . . .                               | 10,402,372.74   |
| Cash in Banks . . . . .                                  | 1,231,454.85    |
| Certificates of Deposit . . . . .                        | 35,500.00       |
| Interest Due and Accrued . . . . .                       | 516,701.18      |
| Deferred and Uncollected Premiums, Etc., (Net) . . . . . | 857,096.22      |
| Due from other Companies from Re-Insurance . . . . .     | 3,064.00        |
| Total Assets . . . . .                                   | \$27,642,781.50 |

### LIABILITIES

|  |                 |
|--|-----------------|
| Net Reserve (American Experience Table, 3 and 3½%) . . . . . | \$23,067,053.00 |
| Reserve for Death Losses in Process of Adjustment . . . . .  | 272,890.63      |
| Reserve for Taxes . . . . .                                  | 144,305.70      |
| Miscellaneous Liabilities . . . . .                          | 199,330.49      |
| Capital Stock . . . . .                                      | \$2,000,000.00  |
| Assigned Funds and Surplus . . . . .                         | 1,959,201.68    |
| Surplus Security to Policyholders . . . . .                  | 3,959,201.68    |
| Total Liabilities . . . . .                                  | \$27,642,781.50 |

### OFFICERS

|                                    |                             |  |
|------------------------------------|-----------------------------|--|
| SHEARN MOODY, Vice President       | W. L. MOODY, Jr., President | W. L. MOODY, III, Third Vice President |
| T. L. CROSS, Second Vice President |                             | W. J. SHAW, Secretary                  |

Insurance in Force, June 30, 1927

**\$423,968,907.00**

Total Paid Policyholders Since Organization

**\$23,863,501.07**

OPERATES FROM COAST TO COAST

Canada to the Gulf—The Republic of Cuba and Territory of Hawaii

# A Retirement Income Policy

One of the fourteen progressive changes just made by The Lincoln National Life Insurance Company is the adding of a Retirement Income Policy to its kit of up-to-the-minute policy forms.

The new Retirement Income Policy is designed for the many people who are primarily interested in providing an income for some future date of retirement.

It provides either a life annuity or refund annuity to begin at an age elected by the insured.

It has death benefits and cash surrender values as well as loan values.

It may be issued with the Income Disability provision. No medical examination is required unless the Disability feature is desired.

The Retirement Income Policy answers another definite need for Life Insurance. It affords another reason why it pays to

**LINK UP WITH THE LINCOLN**

*The*

## Lincoln National Life Insurance Company

*"Its Name Indicates Its Character"*

Lincoln Life Building Fort Wayne, Ind.

More Than \$490,000,000 In Force



for example, for all of my association problems. A far-flung and elaborately devised cooperative plan of procedure may or may not be the wisest way of attempting to interest and instruct the public in the ways of the conduct of an institution like ours. Intimate and public discussion of its problems, may or may not aid in their best solution. I think I know some of the restrictions inherent in this idea.

"Nevertheless, I long for the time when, if I shall remain as the executive head of the National Association of Life Underwriters, I can turn unhesitatingly to you for your help in such ways as these:

"That there may be an easier and fuller exchange of ideas between us through the medium of your leaders taking an increasingly important place on the programs of our conventions and sales congresses.

"That the leaders of your thought may more and more find our monthly magazine, 'Life Association News,' the natural and effective medium of expression in giving accent to the tendencies of the business as they seem to you, and substance to the ideas and ideals which are in your minds.

### All Must Help in Educational Work

"That we may turn to you for help and counsel in certain phases of our so-called educational program. I cannot conceive of a situation, related to a fundamental problem like education, involving as intimately as it does the common hopes and aspirations of millions of American school and college students still unborn, in which any faction or any group, having those common hopes and aspirations equally at heart, should be either ignored or its prestige or effectiveness in any way minimized or subtracted.

"Finally, I hope that as I attempt to establish a widely operating national speakers' bureau for making available to the program of our association meetings the almost unlimited ability both within and outside of our profession, you will cooperate with us in a rather elaborate plan of checking up on the travels of insurance authorities.

"I propose soon to complete an analysis of the relations, the affiliations, the contacts, and the various ramifications of interest of our entire membership. Perhaps that analysis might be of service to you. Couldn't you take an army which is efficient enough to have converted 53,000,000 of our citizens to the payment of the premium tax and use us to note tendencies and to help you build a sound public opinion? Can't you use us to make this institution of ours, as a great national voice, articulate?


### Life Insurance Bears Heavy Responsibilities

"I don't know exactly how to express it, but I feel it as I have felt very few things in my whole life. Life insurance in America today bears too heavy a responsibility to the future of American citizenship, to ever have it said that the institution is or has been dominated by any group or kind of companies, or by any faction or element within its lines. There are no essential points of conflict. Each has its mission and its destiny. The same kind of responsibilities rest upon all of us. And, there is, isn't there, running through our common fabric, a thread of interdependence that must not be broken?

"If these things are true, and if we shall make of this creed a veritable crusade, then necessarily it will be also true that this nation which for 150 years has led all other nations, is going to go forward with this spirit of life insurance, to translate it into its very highest potential benefits to humanity."

Frank W. Wozencraft, general attorney of the American Life Reinsurance, was chairman of the entertainment committee for the Legal Section.



 **SEVENTY-SIX** years ago the Massachusetts Mutual commenced its career as a public servant by supplying sound life insurance and complete service to its policyholders. For more than seven and a half decades this institution has adhered to the highest principles, serving faithfully and adequately and taking a leading part in every step in the progress of life insurance.

The years have brought wonderful growth and prosperity. To-day, as in the past, the whole personnel of the Company is imbued with the spirit of service and this spirit is present in every action of the organization. To accomplish the desires of the policyholders to the utmost the representatives in the Field receive at all times the complete co-operation of an ever-willing Home Office. In each Massachusetts Mutual office throughout the country hangs a shield bearing the creed upon which the Company continues to build its reputation—

***“WE SERVE”***

## **Massachusetts Mutual Life Insurance Company**

**Springfield, Massachusetts      Organized 1851**

*More than a Billion and a Half Insurance in Force*

# Selling

## COMPLETE PROTECTION

**A**GENTS of this Company have the advantage of being able to sell, through one company, complete personal protection—Accident and Health and Life.

Many Life policies are sold to prospects who are approached on Accident and Health—and vice versa.

We make it easy for the agent by selling a Combination coverage which we call the Complete Protection Policy. This provides Accident and Health and Life coverage together.

In addition, our agents have a full line of regular Accident and Health and Life policies, with all the modern improvements.

We have a plan which helps agents get interviews and helps them sell the business. What more could be asked?

Any agent not under contract and seeking a connection where only his ability and willingness to work will limit his income, will receive full details of our proposition if he will send us his name and address on the lines below.

Signing on these dots will cost nothing.

Name .....

Address .....

N. U.

## Great Northern Life

### Insurance Company

110 S. Dearborn Street

CHICAGO

## Company Officials, Advertising Man, Banker Speak on Thursday

**J.** V. BARRY of the Metropolitan Life, chairman of the delegation representing the Life Presidents' Association, conveyed the greetings of that body at the Thursday morning session. He said that although company organizations have no control over members, thus leaving each one to follow its own course, yet they recognize the commonwealth and contribute to it. Life insurance has become an institution of which all in it are a part. Mr. Barry said there is universal recognition of the broad benefits of life insurance.

Clarence C. Wysong, Indiana commissioner, was introduced and spoke briefly. He said Indiana was particularly honored in that President Woollen and Secretary Claris Adams are Hoosiers. Mr. Wysong said the commissioners do not desire to be dictatorial, but seek the aid of the insurance people.

### Walter E. Webb Speaks on Agency Work

Walter E. Webb, vice-president of the National Life U. S. A., said that he started in home office agency work 10 years ago. At that time he felt he knew just how to conduct the department. He asserted that at the end of the decade he would discount that early conviction 10 percent a year. Mr. Webb paid his respects to the press, whose representatives had "ragged" him because he was the only speaker who had not furnished an advance copy of his address. He never reduces his thought to writing when he speaks publicly. Mr. Webb's subject was "Expenses and Investment in Agency Organization."

John C. Mechem, vice-president First Trust & Savings Bank, Chicago, fresh from the convention of the American Bankers Association at Houston, spoke on "Life Insurance and the Banker." He asserted that the life companies excel the banks with the vigor with which they seek new business. He proved a forceful speaker, and laying down his manuscript at times, he made some observations on life insurance. It so happened that the two Chicago speakers, Mr. Webb and Mr. Mechem, appeared in juxtaposition. President W. T. Grant of the Business Men's Assurance moved a vote of thanks to Mr. Mechem, as he said the Chicago banker had given a most convincing address that had a vital education story.

At the opening of the Thursday afternoon session James A. McVoy, Central States Life, chairman of the agency committee, said that there had been an enlargement of the agency bureau. A larger service has been inaugurated. It has resulted in more companies reporting. Cancellation of agency contracts for non-production was reported during the year.

### William Montgomery Speaks in Afternoon

William Montgomery, president Acacia Mutual Life of Washington, D. C., was switched from the morning to the afternoon session. Inasmuch as T. G. McConkey, general manager Canada Life, could not be present to give his paper, it was therefore not read, but will be printed in the proceedings.

Mr. Montgomery was attending his first American Life Convention meeting. He spoke on "Can the Cost of Life Insurance Be Reduced?" He acknowledged that there would be an honest difference of opinion on the subject he was discussing. He spoke very frankly, displaying a thorough understanding of life insurance operations. He called attention to some of the great waste in insurance, much of which he thinks can be prevented. He advocated a change in the system of agency contracts. Competition, he asserted, should be based on

economy of management. Mr. Montgomery is an original thinker. His views as to cutting down waste were decidedly interesting. He stated that the changes he recommended had been put into effect by the Acacia Mutual and had proved successful. President Woollen stated after Mr. Montgomery left the rostrum that his was one of the most valuable papers he had heard before the company officials.

John Lee Mahin, vice-president of Barron G. Collier advertising agency of New York, was accompanied by a bodyguard, Major Fentress, who acted as publicity manager for Mr. Mahin and who handed out a digest of his chief's talk to the newspaper men. Mr. Mahin first read this digest to the convention before launching into his address. He stated that an advertiser should always consider the audience, referring to Elmo Calkins' criticism of life companies for not advertising, although the life insurance in force has increased tremendously. He feels the personal salesman is necessary in insurance.

### E. Lee Trinkle Is Last Speaker

E. Lee Trinkle, vice-president Shenandoah Life and former governor of Virginia, was the last speaker Thursday. His political training was evinced in his manner of speech. He gave his countenance an intellectual background by the long ribbons attached to his glasses. Mr. Trinkle is a former lawyer. He served several terms in the Virginia house and senate, and for four years was the chief executive of the state.

The registration was 342, representing 110 companies, at the Thursday morning session.

## James Fairlie Is Now Golf Committee Head

Henry Abels of the Franklin Life, who has for 10 years been the chairman, actuary and executive vice-president of the American Life Convention Golf Club, retired at this meeting. James Fairlie, Abraham Lincoln Life, was named as his successor. When the convention met in Dallas in 1914, the Dallas companies inaugurated the golfers' dinner. This year the tournament was played on the Brook Hollow Country Club course. Mr. Abels presided at the dinner. George Graham, Central States Life, gave an osculatory demonstration. He made several attempts to speak, but was drowned out by the orchestra and audience.

S. C. Hurst, Southland Life, won in the qualifying round, his card showing 73. Henry Abels and H. G. Royer, Great Northern Life, tied in the putting contest. F. P. Carr, Central Life of Iowa, was low net winner in the entire tournament, with a score of 73. The winners in the flights were:

First—R. A. Goodman, Southwestern Life, 1st; S. C. Hurst, Southland, 2nd.

Second—G. G. Terriberry, Life Insurance Research Bureau, 1st; W. T. Grant, Business Men's Assurance, 2nd.

Third—F. P. Carr, Central of Iowa, 1st; E. B. Raub, Indianapolis Life, 2nd.

Fourth—C. H. Beckett, State Life, 1st; L. J. Kalnbach, Lincoln National, 2nd.

Fifth—R. A. Norton, Merchants Life, 1st; George Graham, Central States, 2nd.

Sixth—F. H. Davis, Indianapolis actuary, 1st; G. B. Pattison, Peoria Life, 2nd.

Seventh—Frank McGonagill, State Reserve Life of Fort Worth.

Consolation Handicap—W. R. Smith, Health Analysis Institute, Kansas City, and E. G. Brown, Southwestern Life.

O. J. Arnold, president of the Northwestern National Life, and Francis V. Keesling, vice-president and general counsel of the West Coast Life, broadcasted insurance talks at noon from station WFAA, in the Baker Hotel.



## AMERICAN LIFE CONVENTION ELECTS ARNOLD PRESIDENT

(CONTINUED FROM PAGE 3)

nels. It takes capital and people to develop the state. He detailed some of the features of Texas. The state, he declared, offers safe opportunities for investment. Time will increase the value of loans. The promise for the future, he asserted, is most assuring.

Former Governor Oscar B. Colquitt of Texas was present Friday morning when Governor Moody spoke. All the ladies attending the convention were in the hall when the governor made his address. The audience melted like a cake of ice in this summer October weather when the governor ended his talk.

The only set talk of the session was by William Henry Leffingwell, president of the Leffingwell-Ream Company of New York City, who spoke on office management of life insurance companies.

A. G. Bigger, American Life Reinsurance, read a memorial in tribute to 12 company officials that died during the year. W. W. Moore, Inter-Southern Life, chairman of place of holding next convention, recommended St. Louis. This was approved. F. V. Keesling, West Coast Life, stated that he hoped the meeting would be held in San Francisco the year after.

The report of the committee on de-

partmental supervision was read by E. C. Raub, Indianapolis Life. It stated the relations with the insurance commissioners. It deplored the constant changes in these offices due to political contingencies.

H. G. Scott, Reliance Life, reported for the membership committee. The convention now has 142 members. The net gain during the year was five companies.

F. B. Mead, Lincoln National, reported for the committee on blanks. The committee holds conferences with a similar committee from the Life Presidents Association. The joint recommendations then go to the blanks committee of the National Convention of Insurance Commissioners. E. O. Burget, Peoples Life of Indiana, reported for the finance committee.

C. B. Robbins, Cedar Rapids Life, spoke of the abundant hospitality of the Dallas and Texas companies. Great credit, he said, is due to Harry L. Seay of the Southland and Mrs. A. C. Bigger, who was chairman of the women's committee.

### Harmonious Relations in Organization Emphasized

J. C. Seitz, Security Life of Chicago, called attention to the harmonious relations existing in the organization. He

said that no issue has ever created factions that were better. President Woollen said that the organization had a program under the new administration which had been carried out. The Southwestern Life of Dallas, he announced, has applied for readmission to the organization. T. W. Vardell, its president, served as head of the American Life Convention years ago. Mr. Woollen said he was the man who originally suggested Claris Adams for secretary.

President Woollen said that Secretary Ellis of the Southeastern Life objected to a book gotten out by the National Life Underwriters Association by Frank L. Jones, taking the ground that it favored one class of companies. It was to be used as a textbook. Mr. Woollen said that the objectionable features had been removed. T. W. Blackburn said that his book "Blackburn on Life Insurance" had been turned over to the National Life Underwriters Association.

C. G. Taylor, assistant manager Life Presidents Association, and former president of the American Life Convention, spoke briefly.

### Reynolds Nominates Arnold for President

J. B. Reynolds, Kansas City Life, put O. J. Arnold, president of the Northwestern National Life, in nomination

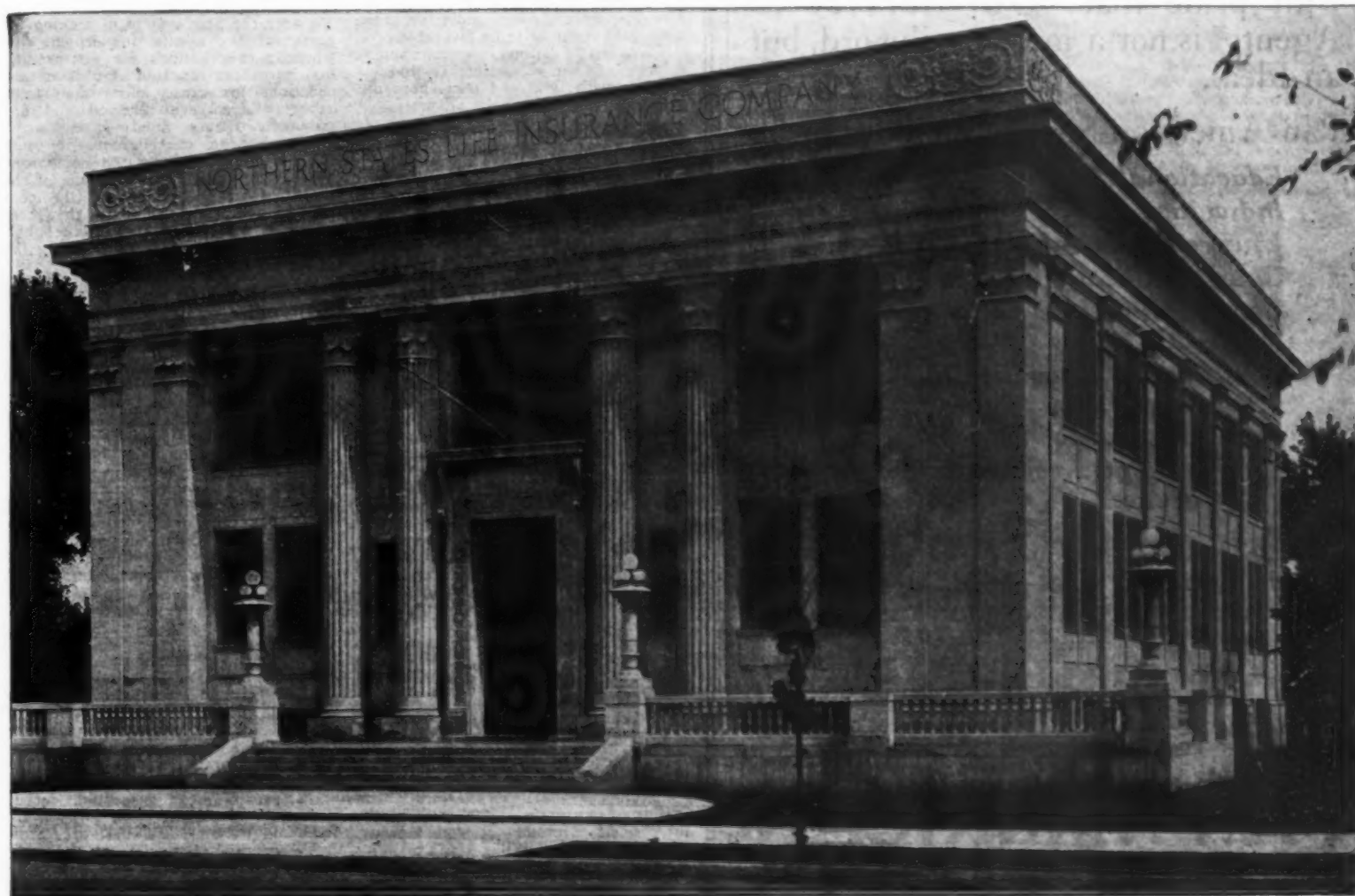
for president of the American Life Convention. It is a coincidence that when the organization met in Dallas in 1914 it elected a Minnesota official, E. W. Randall, Minnesota Mutual, for president. These are the two Minnesota member companies of this organization. Isaac Miller Hamilton, Federal Life, seconded Mr. Arnold's nomination.

Harry L. Seay told of Mr. Arnold's great work for preliminary term companies in the legislative fight. T. W. Blackburn and H. R. Wilson, American Central Life, escorted the new president to the chair. He said the work would be carried on faithfully.

C. L. Ayres said that all the differences had been wiped out due largely to Mr. Woollen's fine work. A rising vote of thanks was given Mr. Woollen. Mr. Seay put Mr. Woollen in nomination for place on the executive committee. H. R. Cunningham, Montana Life, nominated C. B. Robbins, Cedar Rapids, Life. E. E. Sallee, Bank Savings Life, nominated Daniel Boone, Midland Life, as a member of the committee. Both were elected.

Larry Jacobs, publicity director of the Southland Life, former Dallas newspaper man, was on his toes all the time. He had general supervision of the machinery at the hotel. He was indefatigable in his efforts, but made no noise.

# Northern States Life Insurance Co.



Home Office  
**HAMMOND, INDIANA**

DR. H. E. SHARRER, President and General Manager

## An Old Pan-American Ideal

It dates back 15 years—the Old Pan-American Ideal—to render complete service to our field representatives.

In 1912, when the Pan-American Life was organized, a complete service to agents was maintained. And in the years which have followed it has always kept a step ahead of the times and expanded its service accordingly, until today we can look back and say with pride that "Our Service to Agents" is not a mere catchword, but an Ideal.

Pan-American Service includes:—

*Educational Course  
Individual Sales Planning  
Unexcelled Life Policies  
Child's Educational Endowment  
Combination Life and Accident and Health Policy  
Substandard Insurance for Under-average Lives  
Group Insurance  
All Forms of Accident and Health Insurance*

We have a few attractive general agency openings for men not at present attached, who measure up to Pan-American ideals.

Address

E. G. Simmons, Vice-President and General Manager

# PAN-AMERICAN LIFE INSURANCE COMPANY

New Orleans, U. S. A.

Crawford H. Ellis, President

## Year's Activities Reviewed In Secretary's Annual Report

By CLARIS ADAMS  
Secretary and General Counsel

THE American Life Convention closed its 22nd year with a membership of 142 legal reserve life insurance companies. These companies represent aggregate assets of more than \$2,000,000,000 and have almost \$20,000,000,000 of insurance in force. The current year has been an important, if not a particularly eventful, one for life insurance. For the companies as a whole, it has been marked by a small increase in business written over the large volume of the year before. In certain sections of the country, however, economic conditions have been reflected in decreased production. A number of companies have shown a tendency to emphasize persistency rather than volume.

### Some Changes in Practices Developed

There has been a trend among the younger and smaller companies to diversify their investments so far as regulatory laws would permit, doubtless inspired by the recently less favorable experience in the farm mortgage field.

There has been a further advance in the field of non-medical insurance. Seventy-six convention companies now write business of this character within limits ranging from \$500 to \$10,000. The experience has been short, but in the main, it is reported to be favorable.

There is still serious complaint among a large number of companies that experience with total and permanent disability coverage has been adverse.

### Busy Legislative Season Closely Followed

During the present year, we have kept in touch with legislation during regular sessions in 44 states, special sessions in 11, and one session of Congress. More than three thousand measures were received and analyzed, and those of interest to life insurance companies digested and distributed to the membership through the medium of 37 legislative bulletins showing bills introduced, action taken thereon, final disposition of the measures, and a general resume of insurance legislation finally adopted.

Suffice it to say that the standard incontestable clause was adopted in Colorado, North Dakota and Kansas; bill authorizing non-medical insurance was passed in Georgia, Idaho and North Carolina; the law requiring definite insurable interest in beneficiaries was repealed in Indiana; a uniform group insurance bill was passed in several states; the amortization law was passed in Illinois, Virginia and Alabama; a new code was adopted in Kansas; agency qualification laws were presented in several states, but were passed only in Alabama, Connecticut and Maryland; an act granting permissive use of the American Men Table was enacted in Connecticut and defeated in Indiana.

### Tax Question Was Vexing Problem of Year

An unusually large number of tax increases were proposed, but were defeated in every state except Ohio. There, due to an unusual political situation, the increase of premium tax from 2½ percent to 3 percent fell like a bolt of lightning from a clear sky. It was agreed upon, introduced and passed within 48 hours, and the combined efforts of all insurance organizations to secure the governor's veto were unavailing. Seriously threatened increases in taxation were defeated in Alabama, Florida, Georgia, and so far, in West Virginia, only by extreme efforts on the part of insurance interests, to which result the American Life Convention contributed an important and influential part.

During the present year, about 150 laws affecting life insurance were enacted in the various states. These new laws, few of which seriously affect the vital interests of our companies, nevertheless touch upon everyday practice of the business at so many points that it is necessary to issue 2,000 new law digest cards, containing a digest of the laws in each state, together with departmental rulings and an annotation of important cases decided thereunder.

### Legal Bulletin Has Been Important Publication

In addition to legislative bulletins, a large number of special bulletins have been prepared, containing miscellaneous information of general importance to our membership.

The Legal Bulletin has been published with a new topical index and a cross reference of cases. During the current year, we have reported 448 cases, exceeding by more than 100 the number reported during the last convention year, and in a majority of instances, the case in question has appeared in the Legal Bulletin of the American Life Convention before it was reported in the advance sheets of the general reporter system.

Under the new system of making reports for the agents' impairment file, whereby cancellations for non-production have been reported as well as cancellations for cause, more than 6,000 reports have been received and distributed. Eleven hundred and seven cases showing cancellation for cause have been reported by 106 companies. This is considered by many one of the most important services of the convention, and I am glad to say that there has been a large increase in the number of companies reporting during the present year.

### Now Have Operating Publicity Department

For the first time, we have a publicity department operated by a part-time publicity man. Any information in the convention office relating to important legislative proposals, unusual court decisions and matters of general interest to the companies, has been distributed to the insurance journals and the public press. This has resulted in much more publicity of convention activities than ever before, and I desire here to acknowledge the friendly cooperation of the insurance press in this regard. One of the achievements of this department has been obtaining the publication of a quarterly review of conditions in the life insurance business by the president of the American Life Convention, a feature which we hope to make permanent.

For the first time, the secretary and general counsel of the convention has been directly charged with the actual operation of the American Service Bureau. I am glad to report that it has functioned both efficiently and profitably during the current year, despite a change in management. I sincerely believe that it is providing an inspection service second to no organization now in the field, and it is making a substantial profit in the operation. In no small part, the success of the current year has been due to the efforts of Mr. Parker, who is now in immediate charge of the details of operation.

The finances of the convention are in satisfactory shape. In spite of extraordinary expenditures due to the removal of headquarters from Omaha to St. Louis and a permanent increase in the expense of operation in the latter city, we closed the year with a surplus in excess of \$20,000.



# Laws Affecting Investments Analyzed

By W. H. HINEBAUGH  
President, Central Life of Illinois

THE situation confronting the investment branch of life insurance is unique in the history of the business. The loan departments of our companies are hedged about with limitations and restrictions by investment laws of the different states that were intended

money on the proper, safe and sound investment of which depends, in no small degree, the future strength and development of the life insurance business. Any action taken by this convention which has for its purpose the ultimate supervision and protection of these trust funds is commendable in the highest degree.

While the investments of the life insurance companies do not directly and proportionately share in the resultant economic gains to the community, the development of enterprises by their application affords added security to all investment funds. It is not claiming too much to say that the increasing momentum in values, imparted by original investments of the insurance companies in support of federal, state and municipal projects, in home and business building and in railroad building, has produced an effect on the economic life of the nation which amply justifies the claim that insurance funds have been the foundation and the stabilizer of much of our national security.

In the days gone by, the farm mortgage was considered the last word in safety and soundness as an investment for life insurance and other trust funds. As a result of the World War and the high prices of the products of the soil the value of farm lands were inflated at least 100 percent and in some sections of the country 200 percent. Unfortunately, many investment bankers and careful men in charge of the loan departments of life insurance companies seemed to be of the opinion that such

prices were here to stay and made loans on the basis of those inflated values.

After the war, when corn dropped from \$2.30 a bushel to 40 cents and all other farm products suffered a proportionate decline, thousands of farmers throughout the country found themselves unable to meet their interest payments, operating costs and taxes. This in due time forced insurance companies and investment bankers the unpleasant necessity of foreclosing mortgages and acquiring title to innumerable farms.

## Life Companies Own More Than 40,000 Farms

I am satisfied from such information as I have that more than 40,000 farms are today owned by life insurance companies in the United States. Life insurance companies are not organized for the purpose of carrying on farming operations and find it impossible to operate at a profit the farms which they have been compelled to acquire by foreclosure. Especially in these days, when the average well equipped farmer operating his own farm under his personal supervision finds it difficult to make both ends meet.

A recent report of the Department of Commerce shows that gross average income declined 5 percent for the crop year ending June 30 and that net income after deducting expenses declined 20 percent for the preceding year.

These decreased earnings represent a decline in the average income per farm operator available for labor, capital and management from \$922 in 1925-26 to

\$833 for 1926-27. Compared with earnings for the preceding year, the return for the labor of the farmer and his family declined nearly 10 percent.

It is scarcely surprising that following such an experience the farmer feels that he is being exploited and demands



A. C. BIGGER, Dallas  
President American Reinsurance Life

to prevent speculations and misuse of insurance funds.

I am advised by the secretary of the American Life Convention that the combined assets of the member companies of the convention total something more than \$2,000,000,000. This is a sum of



C. B. ROBBINS  
President Cedar Rapids Life

some of that government help that is given so abundantly to manufacturers through the high protective tariff. This same authority tells us, however, that the farm situation is not without hope. He declares that deflation has run its course and agriculture has now probably

## The Company's Policies

Complete Line of Ordinary, Limited Pay, Endowment, and Term.

Liberal Sub-Standard Department.

Non-Medical Applications up to \$3,000.

Salary Savings Insurance.

Policies issued to employees (minimum amount of total insurance \$10,000). Premiums deducted monthly from salaries by employer and sent to The Franklin in one sum.

Juvenile Insurance (Ages 1 to 10).

Graded Benefits—Level Premiums.

"Payor Insurance."

An optional provision which waives further premiums on Juvenile Policies in event of disability or death of the person who pays the premiums.

Corporation Insurance.

Renewable and Exchangeable Term Policies.

Annuities and Pension Policies.

Educational Endowments.

Endorsement makes them payable as insured desires.

Policies issued Ages 1 to 65.

Special cases at higher ages.

Insurance for women at same rates as for men.



## The Company

Legal Reserve.

Non-Participating.

\$191,560,326.00 of Insurance in Force.

Organized July 23, 1884.

Conservative Financial Management.

Aggressive Agency Expansion.

Operates in

|           |              |
|-----------|--------------|
| Alabama   | Mississippi  |
| Colorado  | Missouri     |
| Florida   | Nebraska     |
| Georgia   | Ohio         |
| Illinois  | Oklahoma     |
| Indiana   | Pennsylvania |
| Iowa      | Tennessee    |
| Kansas    | Texas        |
| Michigan  | Wisconsin    |
| Minnesota |              |

Trebled in size in the last ten years.

Doubled in size in the last seven years.

## Policy Refinements

Income Disability.

An optional provision for an income of \$10.00 per month for each \$1,000 of the policy in event of total and permanent disability. (90 day clause.)

Waiver of Premium Disability.

An optional provision whereby further premiums are waived in event of total and permanent disability of the insured. (90 day clause.)

Double Indemnity.

An optional provision under which the Company pays double the amount of the policy in event of death by accident.

Interest Paid from Date of Death to Settlement of Claim. (Present rate 5%.)

"Excess Interest."

The Franklin guarantees 3½% interest on "Income Settlements" or other settlement funds remaining in the Company's hands after policy maturity. In addition to 3½% interest on such funds, the Company also pays "Excess Interest." In 1927 this excess is 1½%, making a total interest of 5% on such funds.

Premiums payable Annually, Semi-Annually,

Quarterly, or Monthly. Not necessary to send policy to the Company when changing from one mode to another.

Low Guaranteed Premiums.

Contingent Beneficiaries.

Settlement Options to suit Insured or Beneficiary.

reached bottom, with prospect of soon rising slowly and gradually.

In spite of setbacks and discouragements, life companies are not worrying over the farm situation so far as it concerns them, but feel confident that farm lands will soon begin to rise to somewhere near their real value in normal times. Hence they believe in the orderly marketing of the properties they now own. They are in no great hurry to get rid of them.

Most companies are now insisting on a double appraisal, the appraisal of a bank or investment company, through whom the mortgage is acquired, and then an entirely independent appraisal by disinterested parties. Some companies demand a contract, under the terms of which the right to return the loan within a reasonable length of time is reserved, or the right to substitute a satisfactory loan for one which is not acceptable.

#### Figures on Foreclosures Might Prove Startling

It would be interesting to know just how many farms have been acquired through foreclosure proceedings by all the member companies of the American Life Convention. I am inclined to the opinion that we would be somewhat startled if we had before us the exact

number of foreclosure proceedings which all the member companies of this convention have had during the last three years.

Under the statute of Illinois and Missouri, life insurance companies may acquire, hold and convey real property only for the purpose of convenient accommodation in the transaction of their business; such as shall have been mortgaged to it in good faith by way of security for loans; such as shall have been conveyed to it in satisfaction of debts previously contracted; or such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for such debts.

It is then provided that all such real property so acquired which shall not be necessary for its accommodation in the transaction of its business shall be disposed of within five years after the company shall have acquired title to the same, unless the company shall procure a certificate from the insurance superintendent that its interests shall suffer materially by the forced sale of such real estate, in which event the time for the sale may be extended to such time as the insurance superintendent shall direct. In a number of states the period is limited to only two years.

There is no provision in this act for the exchange or sale of real estate ac-

quired by foreclosure for any other property of any kind or character, nor can it be presumed from the statute that a disposition of real estate so acquired by foreclosure can be made other than in the usual manner of sale for an amount of cash equal to half the amount of the purchase price and the taking of a mortgage on the land to secure the balance, or 50 percent of the purchase price.

The difficulties encountered by a life company in disposing of real estate acquired by foreclosure in the usual manner have been found to be such as to require additional legislation in nearly all the states, and at least the removal of certain limitations and restrictions with reference to the rights of companies to hold and dispose of such property. As far as I know, Missouri, Washington, West Virginia and Connecticut are the only states that have removed such restrictions by legislation.

So far as I have been able to learn, the life insurance investment act in Illinois has never been construed by the Supreme Court of our state and we must, therefore, turn to the construction of the general corporation act by our Supreme Court to ascertain the meaning of the life insurance act.

The leading case in Illinois, which placed a construction on the powers of

corporations to acquire, own and convey real estate, is the case of the People vs. Pullman Palace Car Company, 174, Ill., Page 125.

In the Pullman case the court stated among other things: "The only difference between a corporation organized under a general law and one created by special statute is that in the former we look to the certificate of the promoters while in the latter we look to the special statute to ascertain the scope of the powers of the corporation. The rule for construing the instruments must necessarily be the same, viz., the powers specifically enumerated, and such other powers as are incidental or necessary to carry those powers into effect, but none others may be exercised by a corporation."

The special statute under which the life insurance companies have acquired a great many thousand farms is set out in sub-sections 2, 3 and 4 of the Illinois investment act. Under those sub-sections it will be readily granted that these farms taken in payment of debts, under foreclosure of mortgages have been legally acquired, and that such action on the part of the life companies can be justified as the proper exercise of powers incidental to the express powers conferred upon them by the statute, namely, that a life company may lawfully acquire and hold such real estate as may be necessary for the successful prosecution of its business.

#### Power to Hold and Dispose of Property Implied

It would seem self evident that the express power conferred upon life companies to acquire real estate in the payment of debt or by foreclosure carries with it the implied power to hold and dispose of such property to the best possible advantage and in a manner which would enable it to carry into effect the express powers granted by the statute.

If, however, we find no direct power in the statutes of the various states authorizing life insurance companies to dispose of real estate acquired in payment of debt or by foreclosure, then it would seem to be the need of the hour to make an effort to secure legislation in every state through the cooperation of the insurance departments such as has been secured in Missouri, Washington, West Virginia and Connecticut. If that is not possible, then an effort should be made to obtain more liberal construction of the various statutes by insurance commissioners to the end that the large number of farms now owned and controlled by life companies may be disposed of without unreasonable delay and to the best advantage of the companies.

#### Attorneys Were Entertained

The members of the Legal Section were given a dinner by the Texas Life Convention Monday evening at the Dallas Country Club. A. D. Christian, chairman of the section, presided. The speakers were Judge Dexter Hamilton of Dallas, Col. D. W. Simms of the Lafayette Life and E. M. Grossman of the Central States Life. A group of Negro singers gave typical southern melodies. They were trained by Mrs. Portia Pittman, daughter of Booker T. Washington, who presided at the piano.

At noon Monday, the lawyers were given a luncheon. Judge C. F. O'Donnell, a leading Dallas attorney, presided. Judge Ben L. Jones of the Texas Civil Court of Appeals, Walter Seay of the Southland Life and J. C. Jones, Sr., American National of St. Louis, spoke.

#### Distribute Registration List

The American Life Convention distributed at the close of the Wednesday afternoon session a most artistically printed registration list of all those registered up to noon Wednesday. This showed much enterprise and was greatly appreciated.

## ROYAL UNION LIFE INSURANCE COMPANY

DES MOINES, IOWA



Royal Union Life Building  
Cor. Seventh and Grand Ave.,  
Des Moines, Iowa

### Policies for Each Member of the Family

Every man, woman and child is a prospect for Royal Union service.

Our salesmen, placing policies with the youngsters between ages one day old up to ten, are finding their respective communities 100% prospect fields.

Royal Union children contracts go into full benefit automatically at age 5 with Waiver of Premium benefit on the life of the father!

## ROYAL UNION LIFE INSURANCE COMPANY

A. C. TUCKER, President



## Former State Executive Tells "Why" of Insurance Business

**E. LEE TRINKLE**, vice-president of the Shenandoah Life and former governor of Virginia, addressed the convention on Thursday afternoon, telling how he entered the business and what he conceives the future of the business to be.

"After more than 20 years in active law practice, several terms in the state senate, a congressional campaign, and four years as chief executive of Virginia," he said, "I found myself at 50 wondering as to what field of endeavor I should devote the rest of my available years.

"After months of consideration I came to the conclusion that the gateway for me to enter in order to best serve was that which opened into the insurance field.

### Calls Life Insurance Profession Enviably

"I do not hesitate to declare that in my judgment the profession that deals with providing and placing life insurance is not only an outstanding, but a most enviable one. So far as the speaker is concerned, he is fully convinced that he can wisely and persistently pursue this vocation confidently feeling that his every thought, action and talent are being given to a pursuit which he can wholeheartedly enjoy.

"Honesty leads me to admit that life insurance in its broad aspect until recent years has not been counted among the aristocratic professions. Strange as it may seem until recently real men hesitatingly joined the ranks of those who were engaged in selling, as their wares, life certificates.

### Intelligent Persons Slow to Grasp Advantages

"It is with difficulty that those who have imbibed the essential characteristics of this profession view with any degree of patience the comparative slowness of even farsighted business men and devoted parents to grasp the real significance and ultimate advantages to be gained by those who accept the benefits of the plans and policies of a properly organized insurance company.

"In the past discouragements and doubts have been faced, success and failure have been experienced. A study of all of these experiences may be of great value and interest. But for our present purposes may we not look more to the future and, if possible, catch a broader vision of the 'why' and 'appeal' of life insurance as presented to the new yet earnest searcher on the frontiers?

"To such a one the chief 'why'—constituting the chief 'appeal'—of life in-

surance is that it provides a satisfactory solution for the far-seeing business man and devoted parent of how one may comfortably live, yet at the same time, by even less than a reasonable degree of self-denial, bring into his business and parental relations contentment of mind as to the future solvency and independence of both the material and sentimental sides of those objects that constitute the impetus of his daily life.

"To such a student a comparison of the infinitesimal part of the gross income being applied by the insurance population toward purchase of insurance, as compared with the immense wealth left by those deceased, provides an astonishing picture of wisdom and foresight of the builder in the insurance field, as well as of the sagacity and business acumen of those who purchase protection, and at the same time constitutes such a firm foundation for those now functioning and those who are to follow in their footsteps for building the insurance structure.

"The insurance official of the past,

certainly until recently, has builded on the idea that the major duty of a company was to sell to the public the benefits of life and death insurance. And I fear he has been too neglectful of the character, training and standing of the agency through whom the policies were to be delivered, thus tending to create in the field force a lack of ethical ideals and an exaggeration of the importance of the monetary return from personal endeavor, allowing the mind of the public to have a distorted appreciation of the work being accomplished and of the ideals and dignity of the profession.

"Feeble indeed is a mind that does not readily grasp the value of the protection offered, and which leads to the conclusion that probably the greatest effort that should now be put forth is that of taking into the profession only those who are by nature suited, by experience trained, and by integrity directed to dwell, move and have their being in company with those who are conscientiously and seriously working for the benefit, comfort and contentment of those to whom their contracts are sold.

### Future of Insurance Man Important

"If the dream heretofore pictured is a true one, it means that he who asso-

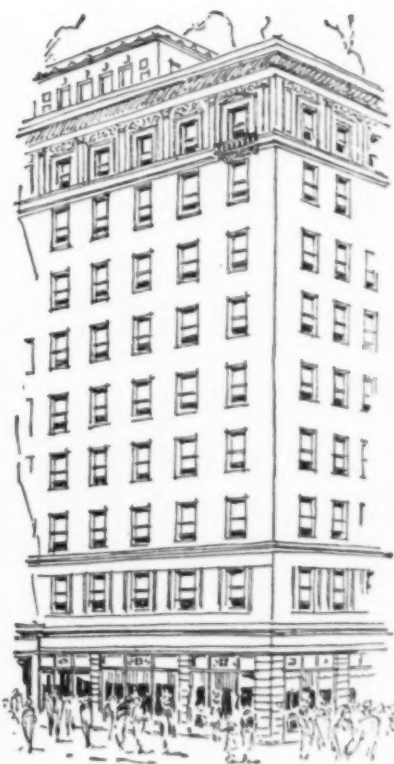
ciates himself with insurance work is to be given an opportunity to labor in making and shaping future governmental activities and policies, to play a part in financing the great material advancements of earth, to grow and increase in the promulgation of educational theories and cultural progress, to definitely establish a plan of truly ethical and fundamental ideals of business relations and altogether to become a sharer in the joys and happiness of a steadily forward moving world.

"The object of these observations is to impress on the insurance executive and his co-workers of today and tomorrow something of the sacredness of their mission, something of the caution that should be evident in their forward going, something of the high regard for the ethics of their profession, and something of pride in their calling, so that he who moves in the realm of life insurance may have the eye of approval of all those with whom his relations may bring him in contact."

### Presentation by Ladies

The ladies attending the American Life Convention presented Mrs. Thomas W. Blackburn and Mrs. Claris Adams with handsome mesh handbags at the dinner dance Wednesday night. There was no speaking at the dinner.

## THE BANKERS RESERVE LIFE COMPANY



**WE ARE PLACING MANAGERS  
In 42 States.**

**Now Conducting An Intensive Drive,  
in the Prosperous Grain-  
Growing States**

**NEW MEN WANTED**  
As managers in the larger cities of the  
South and Middle West.

If you are competent to handle men  
we can make you an attractive  
proposition.

**Insurance in Force, \$115,000,000.00**  
**Total Assets - - 19,000,000.00**

## THE BANKERS RESERVE LIFE COMPANY

**R. L. ROBISON, President**

**W. G. PRESTON,**  
Vice-Pres.

**R. C. WAGNER,**  
Sec'y-Treas.

**Home Office: Omaha, Nebr.**



**E. LEE TRINKLE, Roanoke, Va.**  
Vice-President Shenandoah Life

# New Code Leaves Problems Unsolved

THE "insurance code" reported by the standing committee on insurance law was approved by the American Bar Association at its meeting in Buffalo last month. It was the culmination of a number of years of hard labor which is hardly reflected in the simple,



**TOM POYNOR**, Fort Worth, Tex.  
Vice-President Southern Union Life

direct, comprehensive legislation recommended for adoption as a uniform law by the several states.

The code, so far as it goes, leaves little to be desired. It contains provisions for organization which are fa-

miliar to most insurance lawyers, and in the discussion prior to the adoption of the committee's report there was little criticism offered. The reason is that the debatable subjects are omitted, and while the code is in every sense up to date, it is incomplete.

Ever since the Armstrong investigation the various state legislatures have been busy providing various kinds of regulations and enactments, so the business of life insurance on the organization side is fairly well stabilized. There are, however, three matters that ought to have been considered by the committee, which it refused to take cognizance of.

## Taxation Looms As Most Important Question

First is the question of taxation. That life insurance business has now been developed on such a national scale that it becomes more urgent every year that some form of taxation should be devised, simple in its application yet national in its scope. Not that national taxes alone would be a solution, but the peculiar position of the policyholder is one that has never yet received proper consideration.

The life insurance policyholder exercises all the thrift of the savings bank depositor. Yet, by virtue of the regulatory process and access of assessors to the books of life insurance companies, none of the life insurance savings escape taxation, but, on the contrary, bear their full share with ordinary commercial enterprises. Surely, the tax on life in-

By **CHARLES GRILK**  
General Counsel Register Life

surance premiums ought to be most sparingly used, if not entirely abolished.

## Limitation of Insurance Estates May Be Proper

It may be proper, of course, to limit the amount that any individual could create in the form of a life insurance estate, so far as taxation is concerned, and tax the balance, as is done in estate taxes on the proceeds of life insurance. And it may be proper that business insurance should not come under any exemption. But the case of the ordinary man and the premiums he pays is one deserving every assistance that the state could give, to say nothing of making it the object of taxation.

There is a second subject which has been left by the committee on insurance law in the same chaotic state that it is in now. The securities, which the Armstrong committee criticised the most and which the companies criticised were ordered to eliminate from their investments, have, with changes in conditions, become again one of the leading and most profitable investments in our time.

## Railway Investments Condemned As Unsafe

The companies were especially directed to dispose of holdings of railway stocks and bonds on the ground that they were insecure investments. When the first directions were given to dispose of these securities within a limited time the companies faced tremendous losses. Some of them would have been

so badly impaired had these commands been carried out that they would have found themselves in insolvency.

After the excitement of the investigation, wiser times prevailed and the time given the companies to dispose of these bonds was extended from time



**T. W. VARDEHL**, Dallas  
President Southwestern Life

to time until now practically all of them can be disposed of by the companies, and undoubtedly are being disposed of by the companies, not at tremendous losses, but at substantial gains.

The reverse has been true with a form of investment which was given unlim-

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OKLAHOMA CITY

ited praise at the time of the New York investigation—farm mortgages.

#### Farm Mortgages Have Declined As Investments

Numerous of our western companies had almost limited their investments to this type and the record of the years up to the war were in their favor. They showed earnings on investments larger than the eastern companies, and on the comparison of the companies as to the percentage of earnings on their investments it was a central western company, limiting itself to farm mortgages on central western farms, that led all of the companies in the United States for almost a decade.

Again, time has revealed that this form of what was considered a basic investment can also bring disappointment and losses. The companies that were most careful, as well as some that were more anxious for the higher return and were less careful, have alike suffered from the agricultural depression and the resulting decline in farm values.

At present a tremendous volume of money is finding investments in mortgages on city dwellings, apartments and other buildings. A decade ago this form of investment was considered quite hazardous, and in view of the practices in

this line of investments at present it is easy to see how a natural decline in business over a period of years might bring as great grief to investors in these securities as came to the investors in farm mortgages since the war.

#### State, Municipal Bonds Offer No Solution

Nor can it be said that state and municipal bonds offer a solution. We are already hearing the question of repudiation suggested in one section of the country so far as municipal bonds are concerned. Even in comparatively wealthy communities, in the matter of school and road bonds, especially, it may become a serious question whether municipalities will be able to meet the heavy interest charges, to say nothing of serial payments on their bonds.

The most interesting of the investment forms which are by regulation and legislation made available to companies, is that in national bonds. During the war years the companies, for financial reasons as well as patriotic, poured tremendous sums into liberty bonds. They bought them by the million when they were below par and have realized handsome profits from their investment.

With the decrease, however, in the volume of these bonds and the increase in the competition for investment in

them, return on them is rapidly being reduced to a point where the 3½ percent companies can hardly afford to hold them, and it is not very far distant, if things go on as they are now tending, that the 3 percent companies will find it necessary to seek other forms of investment.

#### Should Diversity Not Be Provided For?

Ought these questions not to be considered squarely and provision made for a diversity of investment which would guard against too serious losses if the catastrophes came that ought to be anticipated? While at the present time foreign investments are still looked upon as extremely hazardous, would it not be the part of wisdom, as the civilized nations recover their financial equilibrium, that a considerable part of life insurance investments should be made in this way, perhaps in those countries where the natural resources of the country would be developed through the forms of investments that insurance companies took?

To be sure, life insurance companies have been blessed or cursed, as you please, with regulatory measures defining in some way the classes of securities which life insurance companies might invest their funds in, and some such

form of regulation, of course, must continue. Should the form of regulation not be changed and closer supervision be given to the individual investment instead of to a particular kind of investment?

#### Control of Stock

##### Companies Next Question

The third important particular on which legislation will undoubtedly be forthcoming shortly is that involved in the control of stock companies. We recently witnessed the sale and purchase of many companies, especially of smaller size, and the merger of many other companies, chiefly smaller ones, into larger units.

Such transactions are probably in the majority of cases conducted according to the highest ethics of the business, if there are any. But in an increasingly large number of cases such companies are being made the pawns in a game where many of the transactions are in the hands of unscrupulous men who use every subterfuge in securing control of such companies for their own personal ends and where the last thing thought of is the interest of the policyholder.

#### Next Scandal May Grow

##### Out of Company Control Deals

It would seem probable that the next scandal in life insurance will be growing out of the dealings of this kind for the control of stock companies. It behooves those interested in stock companies to be very mindful of this state of affairs.

As an outgrowth of the Armstrong investigation almost all of the large New York companies were compelled to "mutualize." We are all acquainted with the argument that a mutual company is less efficient in its operation because no one has a direct personal interest in seeing that the business is made to pay. There is a great deal to be said for this argument. It is valid, but it will be lost sight of by the public and the policyholders if the company becomes a football for financiers.

It would be an extremely undesirable situation if the natural competition between stock companies and mutual companies should be wiped out, because the next wind might bring us some form of state insurance instead of our present form of mutual insurance.

So it seems to me that the insurance code which has been adopted by the Bar Association and which should be adopted by the several states is excellent, so far as it goes. But it does not go far enough. The real problems have not been solved by this code, and some other code must be drafted sooner or later or some addition made to this code which shall offer a satisfactory solution of the problem of taxation, investment and control of stock companies.

#### Joseph O'Meara Speaks on Sound Health Clause

"Defending Under the Sound Health Clause in Seven States" was the title of the paper read by Joseph O'Meara, Jr., assistant counsel of the Western & Southern Life, at the meeting of the Legal Section. The paper was given over entirely to citation of case reports, on some of which brief comment was made. In opening, Mr. O'Meara said:

"By the 'sound health clause' I mean the provision which conditions the company's liability upon payment of the first premium, or upon delivery of the policy, or both, while the applicant is alive and in sound health.

"In some of the cases I shall cite this stipulation appeared in the application, in others in the policy, in others in both. The cases indicate that it is immaterial where the condition is found.

"My object has been simply to collect the cases on certain points which frequently arise under the sound health clause. I must accordingly run the risk of being somewhat dry. I take refuge in the hope that what I shall present will be of some use to the members of this association in a practical way."

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# History of Organization Is Reviewed

By **HERBERT M. WOOLLEN**  
President, American Life Convention

**F**OLLOWING the Armstrong investigation a general demand for federal supervision of life insurance sprang up. Coincident with the investigation a number of new life companies came into being and were operated under various systems of valuation. The executives of a number of these companies, sensing danger to them and believing in the preliminary term method of valuation, felt the need of an organization through which their mutual interests might be protected. So a call for the formation of this Convention was sent out in 1905 by J. B. Reynolds, C. E. Dark, and S. A. Foster. A preliminary conference was held in Chicago Dec. 5, and the organization meeting was held in St. Louis Jan. 30, 1906.

Early in its history the convention came out squarely as opposing federal supervision of life insurance, and for the preliminary term method of valuation. The first principle was soon established, but it was many years before the valuation question was settled.

## Laws Have Helped Life Insurance Grow

Notwithstanding the fact that we are subject to the control of many insurance departments and legislatures, it may be said that on the whole and largely as a result of influences similar to ours, our laws are excellent and have tended to promote the extraordinary growth of the life insurance idea in this country.

It has been customary for the officers of the companies located in each state to name from their number a vice-president of the convention for the year. It is the business of each vice-president to keep in touch with the insurance affairs of his state and particularly to keep himself informed as to the acts of his legis-

lature, insurance commissioner, and other regulating authorities. He is expected to inform the secretary's office concerning them from time to time, so that when necessary the welfare of the companies and their policyholders may be promptly protected.

## Development Caused Division Into Sections

As the convention has developed, it has been deemed wise to divide it into sections. The first of these was the Legal Section. This was followed by the Medical Section and the Junior Association. The purpose of the convention in thus subdividing itself was to provide suitable places for the detailed study of the more important problems of the business.

The Legal Section was created in 1906 at the suggestion of Dan W. Simms of the LaFayette Life. Later, at Indianapolis, he presented the rules under which the section has since operated. A. D. Christian of the Atlantic Life is now chairman.

The Medical Section was organized at Des Moines in 1910. Dr. Ross Huston of the Bankers Life of Iowa is chairman. It has done an enormous amount of work in educating the medical examiners of the companies and in the study of disease and health questions from the insurance point of view.

## Junior Association Proposed in 1922

The Junior Association, of which John W. Cadigan of the New World Life is president, was first proposed at the In-

dianapolis meeting in 1922. This department brings the younger officers of the companies together with the view of interesting them in the more general aspects of their work and of familiarizing them with the work of the convention itself. The organization seems to be growing steadily in point of numbers and in importance.

## Some Committees Do Not Function as They Should

In general, I would say that the committees of the convention having to do with active subjects do not function as they should. Every effort should be made to encourage them to undertake the research and study which their subjects demand, and no man should accept a place on one of them unless he is willing to devote the time and make the effort which their work requires.

The secretary's office is a busy place. One of the principal activities is that of each year editing, printing and distributing the proceedings of the convention and its sections. Another is the compilation and publication of a monthly legal bulletin which contains up to date digests of opinions of courts of last resort in all cases affecting life, health, and accident insurance. Another activity of the office is that of furnishing a card index digest of insurance laws of the various states, commissioners' rulings, and opinions of attorneys-general, together with references to important or unusual court decisions with exact data as to where the originals may be found. A list of some 1,500 attorneys, located throughout the country, is kept in the secretary's office.

These names represent men who have been recommended for satisfactory service by the member companies. Another important duty of the office is that of preparing the familiar convention manual. This contains an alphabetical list of the members; the corresponding officer; the general counsel, and the medical directors of the companies.

With removal of the convention to St. Louis, it was naturally deprived of the use of Mr. Blackburn's library. To supply that need the secretary has been authorized by the executive committee to procure various sets of law reports and insurance text books as a nucleus for a substantial insurance library in the convention headquarters.

## Tax Legislation Shows Increase

During the current year more proposals for increasing taxes of the life insurance companies were offered than had ever been presented before. Fortunately, these were stopped everywhere except in Ohio. Both the secretary and the associate counsel were active in helping to meet these emergencies. You may be interested in knowing that something over 2,500 proposed measures have been received at the convention office from the various legislatures. These were carefully examined, compared with the existing laws, and given whatever attention they seemed to require.

Following the retirement of Dr. Simmons as President of the American Service Bureau, Claris Adams was elected to succeed him and has been largely responsible for the conduct of the bureau affair's this year. This work makes a considerable demand upon his time. The bureau is making substantial progress, but if it is to be

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JNO. E. REILLY, Secretary Manager of Accident and  
and Treasurer Health Department.  
WM. S. HANLEY, Agency Secretary

the success that was promised it must have much additional support from the members. L. N. Parker, formerly manager of the Denver office, was elected vice-president and director of the Bureau, succeeding Fisher Simmons. He has been in active charge of its operations throughout the year. M. B. Cedarstrom is secretary of the organization and has charge of the general St. Louis office.

#### Actuarial Committee One of Convention's Needs

In the course of the year a number of questions arise which are more or less actuarial in their nature. At present we have no definite method of handling them. The secretary has been forced to gather what information he could and answer the questions, with the result that he has occasionally been suspected of considering himself an actuary. The executive committee has consented to appointment of a committee on actuarial subjects, the membership to be made up from among actuaries of the member companies. This committee will serve as a consulting board for the secretary and executive committee.

The financial section is a new section which, if I am to judge from the expressions I have received, supplies a much needed addition to our activities. Most of our companies have invested

their funds very largely in farm mortgages. Formerly it was the custom of the older and larger companies to invest in stocks, bonds and city properties. During recent years these companies have devoted more attention to the farm mortgage field; the federal land banks have been organized and other sources of money have sought this field, with the result that its former attractiveness has disappeared to a considerable extent. During the same period the farmer has fallen victim to almost every form of adversity which could come his way. All of these things have combined to develop one of the most unsatisfactory situations which has ever existed with respect to the farm mortgage. On the other hand, the investment of money in other fields has become more complicated and in many instances less profitable. These circumstances suggest many problems to which the investment section might devote its attention.

As chairman of the convention, I have had in mind five principal things which I wished to accomplish—transfer of the convention headquarters from Omaha to its new offices in St. Louis, together with removal of the offices of the American Service Bureau from New Orleans to St. Louis; establishment of a publicity department through which information with respect to life insurance affairs might be passed on to the general

public; establishment of a financial section, where, as I have already explained, the investment and general financial problems of the member companies could be studied, ideas exchanged and suggestions for the improvement of that angle of the business evolved; appointment of a consulting committee of actuaries; authorization of a special committee on aviation.

The problem of what to do with aviators is insistently demanding attention, and it will be the duty of the committee on aviation to begin a study of the question in an effort to find the answer.

#### Organization Always Has Been Aggressive

We have a rather highly organized institution which has always been exceedingly aggressive in the interest of its members, as well as the whole institution of life insurance. We are confronted today with an increasing number of problems. We appear to be entering the most fiercely competitive period of our history. More and more the business tends to lose its human and somewhat spiritual qualities and to become more and more a pure dollar and cent proposition. The tendency to sell insurance on a basis of premium rates only seems to be greatly on the increase, and the scramble for size never was more abroad in the land than it is now. In-

creasing and unwarranted encroachments on the policyholder by the taxing authorities are in evidence everywhere.

A new table of valuation is taking control of the situation. Whether this will be fortunate or unfortunate for our members, time only can tell. Changes in the methods of placing life insurance in the hands of the public are coming about slowly but surely. In many quarters there is a marked tendency to undermine the whole agency system as we now know it, substituting for the trained, full-time insurance man the broker or the multiple line type of distributor. Important questions as to the qualifications and the education of agents are being forced upon us. Fortunately we are beginning to have a better understanding of the relation between these two items and the lapse question. We are learning that the old-time, high-pressure salesman with his terrific lapse ratio must be eliminated and his place taken by a trained man who will work conservatively and with an eye to the future.

We are beginning to realize that we must raise the standard of the men representing us in this way, and for that matter we must raise our own standards if we are to continue to command the respect and confidence of the public. There is and will continue to be a field for the smaller life insurance company that conducts its business in a substantial way. But I believe that the day is fast passing when any company offering less than that can endure.

#### Newspaper Men Entertained

President H. M. Woollen of the American Life Convention inaugurated this year the custom of having the newspaper men covering the meeting at a luncheon Monday noon. He presided and dispensed hospitality. He was assisted by Manager Claris Adams. A large group of newspaper men attended. Mr. Woollen stated that it was the wish of the officers to give the newspaper men as complete service as possible. He had as special guests two former presidents, J. B. Reynolds of the Kansas City Life and H. B. Arnold of the Midland Mutual Life, and Clarence L. Ayres of the American Life, a member of the executive committee.

#### Hill Gives Dinner

Walter C. Hill, vice-president of the Retail Credit of Atlanta, gave a sumptuous dinner to the insurance newspaper and publicity men at the Baker Thursday evening.

John Lee Mahin, the advertising agency man, and Major Fentress, both of the Collier organization of New York, were present. Mr. Mahin elucidated some of the modern advertising methods.



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Cedar Rapids, Iowa  
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Pres. Secy.



## Walter E. Webb Speaks About Home Office and Field Expenses

WALTER E. WEBB, vice-president of the National Life, U. S. A., spoke on "Expenses and Investment in Agency Organization" at the Thursday morning session. He emphasized the need of an agency section. He said that it is impossible for one man at the head of an agency organization to acquire sufficient experience even during a long career to establish proper standards. The pooling of experience from a number of companies will furnish that information, from which guides can be created. He stated that most mistakes in agency work are due to conclusions reached before a proper investigation has been made. Home office men in the agency department, he said, should know the objective of the company. All companies may have the same objective. But it is important to learn the individual conception of the special company. In employing new general agents the home office men should know how each one will fit in the company's scheme.

### Charge Allotment Against Cost of Production

Mr. Webb said that in allotting money to an agency office it should be charged against the cost of producing new business. Such a fund left with an office, he said, constitutes an investment. It is a misfortune, of course, when money is spent for business that is not gotten. His home office, he said, has a picture of each agency charted out from a centages are worked out and then comparisons are made. When an allowance is made, Mr. Webb said, it should be hooked up concretely with definite business production. It should never be charged to old business. He thinks that unless it is plainly allotted to production the money will not work for the company as it should.

### All Companies Strive for Financial Success

All companies, whether mutual or stock, strive to make a financial success. They should attempt to get business that is profitable to an agency. The men out on the firing line should be doing a profitable business. Mr. Webb feels that it is unfortunate that agents believe there is a difference between the home office agency men and those that are producing business. The agents seem to think that the home office men have not their viewpoint and are not always in sympathy with them.

This feeling is a false one, he said and should be minimized. The home

office agency men should not be discredited in the minds of the producers. The men in the field, he said, are all important, and so are the home office men. The home office men are coming in contact with many agencies and meeting many problems. They have broad contacts and can give valuable information and service. If, however, the field workers do not appreciate the attitude and usefulness of the home office men, any suggestions they make are likely to fall on sterile soil. This apparent difference, therefore, he said, should be reduced and there should be mutual respect on both sides.

Mr. Webb feels that the business is entering on a wonderfully productive era. The public realizes the functions of life insurance. The companies have brought into the field a higher-grade set of agents. Owing to the broader scope of life insurance and the various missions it is called upon to perform, men of superior intelligence will be required to handle the work both at the home office and in the field. Mr. Webb spoke without manuscript and through the injection of spirited comment he kept the audience at attention at all times.

### Publicity Department Has Been Effective

The American Life Convention inaugurated during the year a plan of publicity that has worked very successfully. The effect was noted chiefly at the Dallas convention. Secretary Claris Adams had his office in St. Louis put the publicity work in charge of David F. Barrett, an experienced newspaper man, who has been able to secure a number of stories printed. This year at the convention proper the daily newspaper men were supplied with complete stories of the Legal Section, the regular convention proper and any side features by Mr. Barrett. The papers and addresses were all digested and put in newspaper form. This enabled the convention to get a large amount of publicity. Mr. Barrett was one of the busiest men about convention headquarters, seeing to it that not only the representatives of the daily papers, but the trade newspaper men also were supplied with information. Prior to the meeting at Dallas the American Life Convention headquarters rounded up as many papers in advance as possible and supplied copies to the insurance papers. This publicity plan has brought the American Life Convention more to the fore and has been a very constructive piece of work.

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You will find among our representatives some of the outstanding men in life insurance. We have always sought quality rather than quantity. Nearly a quarter century of agency building proves the wisdom of this course.

A guaranteed low net cost non-participating company (voluntarily paying dividends on fully paid policies); operating under the old-fashioned general agency plan. A thorough course of training for new men plus constructive Home Office co-operation creates an ideal arrangement for those wishing to build an agency. And, we have some desirable openings.

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President

W. J. Arnette  
Vice-Pres. & Agency Manager



WALTER E. WEBB, Chicago  
Vice-President National Life, U. S. A.



CLARENCE E. LINZ, Dallas  
Vice-President Southland Life

## Signs of Agricultural Revival Help Farm Mortgage Situation

By **ROBERT J. MERRILL**  
Vice-President, United Life & Accident

**P** RIMARILY the problem of the mortgage as an investment for insurance companies does not differ from that of other lines of investment. All anyone wants of any investment is ample security and generous yield. The trouble comes in the application of this simple principle to individual offerings. This necessitates the existence of careful if somewhat ponderous investment committees.

For many years the Republican party vouchsafed such a measure of prosperity to the farmer as to seriously endanger his constitutional right exercised from time immemorial to regard himself as an abused and greatly-to-be-pitied individual. For some time, however, it must be admitted that this situation has largely improved, and the present financial predicament of the American farmer has completely restored his ancient

grievances. This curious phenomenon, which has so far completely baffled our government, has also caused some gray heads to appear among the ranks of the financial wizards who control the hoarded funds of the life companies of the country. Many of us are now the proud, if not entirely pleased, possessors of ample estates in various of our commonwealths.

### Agriculture Will Revive From Depression

But shall we eliminate farm mortgages from our list of proper investments? Of course not. Agriculture cannot permanently remain in the doldrums. Its response to the problems of readjustment after the war has been slow, largely because of lack of a common and corporate facing of them, due to want of effective organization or

proper leadership. Agriculture is justified in its claim to be our basic industry. As such it will eventually obtain such a reward as will guarantee its prosperity. Else the republic will fall.

The law of supply and demand will eventually triumph over any McNary-Haugen solution, as indeed it will over any Fordney tariff law. World conditions and their effect must eventually be realized and evaluated, even though it be treason to suggest that the value of our splendid isolation must not be questioned. The marginal farmer will more and more fade into obscurity. Business management and increased use of machinery will play their part.

### Something More Than Hope Actuates Farmer

But beyond the strictly business and economic features of the farming industry there exists another, more imponderable, but of at least equal value as affecting the quality of the security of the farm mortgage—namely, the instinct for land ownership and the love of home. It is something more than mere hope of better days that enables our farmers to hang on through a series of years of poor crops, boll weevils, low prices and other woes. The fact that the farm is his farm, that into it has gone his crea-

tive effort, that, poor as it often is, it is his home, in which are bound up his joys and sorrows, hopes and plans, constitutes a real value, although not reducible to dollars and cents, which cannot be overlooked.

In my opinion, now is the time to give careful consideration to the increase of our lines of farm mortgages. On the whole, a better day for the farmer is dawning. Signs aplenty indicate it. Careful selection, close and frequent inspections, and oversight will enable us to add constantly to our list good farm mortgages, complying with the rule stated at the outset—good security and generous yield.

### Many Companies Have Curtailed Line

In changing their investment policies, many companies have curtailed their farm mortgage lines drastically, making up such cuts to some extent by increasing their holdings of city mortgages. The problems involved in such mortgages differ materially from those resulting from farm mortgages. This is especially true of the small company whose investment organization is not complete. For instance, it has been the experience of my own company that the supply of loans of the type which we desire is extremely limited, and too frequently consists of culls and discards from the offerings made to institutions whose purchases of such securities are on a vastly larger scale.

Personally, I believe there is no security equaling in attraction the mortgage on a reasonably moderate priced home situated in a desirable location and occupied by the owner. The security in such a mortgage is bound to be kept up. The intangible though vital love of home adds materially to the intrinsic value of the mortgaged property. It seems altogether right and proper that insurance funds should be used to purchase homes for our people.

The case is quite different, in my opinion, as to mortgages on business properties where changing conditions, which occur in all our cities with sometimes startling results to values, introduce an element of uncertainty which must be had in mind when making loans of this character. While this danger may be reasonably claimed to be of little importance in case of business properties in the home town of the interested company, by reason of the intimate knowledge of conditions, I think there is nevertheless a danger that lack of perspective may prevent the true situation from being appraised. I am aware that many company executives from their own experience seem to be able to disprove the importance of my argument in this matter. But I am convinced that a real danger exists which should be carefully considered in making loans of this character.

### State Commissioners Present

Insurance Commissioner C. C. Wy-song of Indiana was present at the meeting in compliment to the Indiana companies and to honor H. M. Wool-len, president of the American Central Life, who has so efficiently acted as head of the American Life Convention during the year.

Commissioner Jesse G. Read of Oklahoma, who is chairman of the executive committee of the Insurance Commissioners Convention attended the meeting. Among the former commissioners present were E. J. McGivney, Louisiana; T. J. McComb, Oklahoma; C. G. Revelle, Missouri; J. V. Barry, Michigan; Miles Schaeffer, Indiana; H. R. Cunningham, Montana.

### Nominating Committee Named

The Legal Section's nominating committee consisted of E. J. McGivney, Pan American Life; C. B. Welliver, American Central Life; Allan Bro-Smith, Travelers.

# CHARACTER

**Reputation is what others think of us, character is what we really are, and he who sacrifices character to uphold reputation builds but upon shifting sands. Institutions, like individuals, have both reputation and character and, while reputation may spell temporary financial success for the organization, it is character which will determine the ultimate well-being of its members.**

**Character, in an institution, implies lofty ideals unflinchingly pursued; the habit of doing just a little more than the letter of the contract guarantees; observance of the principle that service can surpass sheer duty; tolerance toward the frailties of human nature combined with knowledge that the rights of one terminate where another's begin; an integrity to purpose that will stand four-square against the attacks of greed, false ambition, and unjust prejudice; a belief in the eternal necessity for fair play.**

**Character is the philosopher's stone that transmutes the commonplace dross of business dealings into golden nuggets of pleasant associations.**

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ESTABLISHED 1899



# Anticipatory Breach Doctrine Covered

By **SAM B. SEBREE**  
Counsel, Midland Life

**A** LIFE company issues its policy of insurance with a disability provision in which it is provided that if the insured becomes totally and permanently disabled while the policy is in force the company will pay the insured a stipulated sum each month as long as such disability continues. While the policy is in force the insured puts in a claim for disability. The company investigates the claim and refuses to pay the installment which the insured claims is due. The insured at once brings suit not only for the installment which is due but also for all future installments to become due during the insured's life expectancy.

A claim of this kind on a \$5,000 policy, which provides for payments of \$50 per month for permanent total disability and double that amount if the disability results from an accident on a common carrier, may result in a suit for \$25,000 or more if the company renounces its liability on the installment which is claimed to be due. Discussion of this question involves an examination of the rule which in certain cases gives the right of immediate action to one party where the other party to a contract either before performance or in the course of performance says to the other party that he will not perform his obligations under the contract which are to become due in the future.

## Leading Case Was Decided in England

The leading case on this subject is *Hochster De la Tour*, 2 EL and BL (QB) 678, which was decided in England in 1852. In that case a contract between the plaintiff and the defendant was entered into in April for the serv-

ices of the plaintiff as a courier for three months beginning June 1. In May, before any of the obligations of the defendant under the contract became due, the defendant notified the plaintiff that he would not employ him on June 1 or at any other time. The plaintiff prior to June 1 brought action against the defendant for damages for terminating the contract. The question involved was whether the suit was premature. The court held that where the defendant had renounced the contract, he absolved the plaintiff from any further performance under it and could not justly complain if he was immediately sued.

This case fixed the doctrine of anticipatory breach as a part of the law of England, and has been extensively cited by the courts of this country. The first case to reach the Supreme Court of the United States where the doctrine was squarely before the court was *Roehm vs. Horst*, 178 U. S. 1. This was an action for the breach of four contracts for the delivery of hops in installments. When plaintiff offered delivery of the first installment under the first contract, the defendant refused to accept the shipment and notified the plaintiff that he would not accept delivery of any of the shipments under any of the contracts. The plaintiff brought suit before the date for delivery of all the shipments under the first contract had arrived and before the time for the delivery of any of the installments under the other contracts had arrived.

Since the *Roehm* case, with the exception of a few jurisdictions, the doctrine of anticipatory breach has been accepted

as a part of the law of this country and the only question that remains is, under what state of facts it will be applied.

Prior to the decision in the *Roehm* case, the Supreme Court decided several cases that are often referred to in cases involving the doctrine of anticipatory breach. The two that are perhaps most often cited are *Pierce vs. Tennessee Iron & Coal Co.*, 173 U. S. 1, and *Lovell vs. St. Louis Mutual Life Assn.*, 111 U. S. 264. In neither of these cases however, is anticipatory breach mentioned by the court. In the *Pierce* case the plaintiff had received an injury while in the employ of the defendant and the defendant in settlement of the plaintiff's claim against it, agreed to continue the plaintiff in its employ at \$65 per month, allow him his fuel and give him the benefit of a garden as long as his disability continued, in return for which the plaintiff agreed that he would do such work as he could and release the defendant from all liability for his claim for damages. After this contract had been in force for some time the defendant discharged the plaintiff and stated to him that its liability under the contract was at an end.

## Court Held for Plaintiff

Plaintiff brought action on the theory that defendant had abandoned the contract and asked \$50,000 damages. The court held that the plaintiff was entitled to recover total damages both past and future for breach of an entire contract. While as stated above, this case was decided on the theory of an actual breach

of an entire contract, the same result would have been reached on the doctrine of anticipatory breach as laid down in the *Roehm* case as the contract contained mutual executory obligations at the time defendant terminated it.

In the *Lovell* case the plaintiff had a policy in the defendant company on which he had paid premiums for several years. The defendant company went into liquidation and its assets were taken over by another company. Plaintiff brought this suit to recover damages for breach of contract. The court held "that the transfer of all of the assets of the defendant company gave the plaintiff an immediate right to action," and that plaintiff could recover the amount of premiums paid in less the value of the insurance during the time it was in force. The doctrine of anticipatory breach was not mentioned in the case and the same result would have been reached on the theory of restitution.

## Law As to Allowing Immediate Action Summarized

Taking into consideration the various decisions of the United States Supreme Court, the courts of appeal and the state courts, the law as to allowing an immediate action for an anticipatory breach of a contract can be generally summarized as follows:

The contract must contain mutual, interdependent executory obligations; there must be a clear, unequivocal renunciation of the entire contract; the renunciation must have been accepted by the other party; there is no distinction in jurisdictions that apply the doctrine of anticipatory breach between contracts which are wholly executory and installment contracts in which the renunciation is made in the course of perform-

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ance either before or after actual breach; in money contracts, such as bonds and promissory notes, the doctrine is not applied.

#### Federal Life Is Involved in Case

We now come to the case of *Federal Life v. Rascoe*, 12 Fed. 2nd Series, 693, 6th Circuit. The plaintiff took out an accident policy in the defendant company by the terms of which the defendant agreed to pay the sum of \$25 per week so long as she suffered total disability from accidental injuries sustained while a passenger on a common carrier. The plaintiff had an accident while riding on a common carrier and submitted proofs to the defendant. The defendant made a number of payments to the plaintiff under the policy and then refused to make any further payments. Plaintiff then brought this suit for the monthly installments which were then due and for those to become due during the remainder of her life.

Plaintiff pleaded that defendant repudiated the entire contract, but the form that the repudiation took does not appear in the opinion. The policy provided that if the plaintiff were disabled for more than 30 days she should furnish the company each 30 days with a report in writing of her attending physician or

surgeon fully stating her condition and the probable duration of the disability. The court permitted recovery of the past due installments and also the present value of the installments which would become due in the future throughout plaintiff's life expectancy. The holding of the court can be summarized as follows:

This was not a unilateral contract for the unconditional payment of money such as a bond or note, because the plaintiff had to furnish the company monthly medical reports on her condition to entitle her to the future installments, which obligation the company could enforce by refusal to pay, even though it could not enforce it by action; that this was a single contract in which there had been an actual breach and a repudiation, and public policy requires that plaintiff maintain but one action for her entire damages.

#### Judge Dennison Votes Dissent

Judge Dennison in a dissenting opinion argued (1) that there is no reason to apply the doctrine of anticipatory breach in this case because the contract was executed so far as plaintiff is concerned and her position was not prejudicially changed by defendant's repudiation; (2) that the provision in the policy with

reference to furnishing monthly reports is merely a condition and not an obligation which defendant could enforce by action; (3) in concluding his opinion, Judge Dennison said:

"In my judgment this case illustrates the evils of laxity in permitting a premature recovery. In such a case as this (as facts often are, though possibly not in this case) plaintiff in a year or two may recover entirely or (if the case is as bad as here claimed) is very likely not to live long. In either case the true liability is for a short term; but the recovery has been upon the basis of the full expectation of life of a healthy person, though no error in this respect was duly saved."

In examining the decision in the *Rascoe* case, let us test life insurance contracts by the summary of the law set out above. Does the contract contain mutual, interdependent, executory obligations?

#### Insured Does Not Promise to Do Anything

The nature of life insurance contracts is that the company promises on the receipt of the first premium to make certain payments on proof of certain happenings and to continue the policy in force on the payment of certain premiums. There is no promise by the in-

sured to do anything. It is true that the insured has to do certain things in order to collect under the policy, but that is true in every unilateral contract. The condition on which the company is to pay must be complied with before the plaintiff can collect, but there is no promise by the insured which the company can enforce.

The *Rascoe* case holds that the fact that every month the plaintiff had to furnish the company with proof of continued disability differentiates the case from an ordinary money contract, such as a bond or note. It is true that the condition as to furnishing proofs of disability is more onerous than a mere presentation of a note or of a bond which the holder has to do before he is entitled to his money, but the reason for holding that the doctrine of anticipatory breach does not apply to a bond or note is, as stated by the United States Supreme Court in *Roehm v. Horst*, that there are no mutual interdependent obligations, which reason applies equally as well to the insurance company in the *Rascoe* case as it does to the case of the note or bond. There is no promise or obligation on the insured to present his proofs any more than there is on the holder of the note or bond to present it, while in both cases the holder of the note or bond and the insured have to perform a condition before they are entitled to receive their money.

It must be kept in mind that the tendency of the courts has been to enlarge the field of the doctrine's application, therefore we should consider the second point in the summary, namely: What renunciation will permit its application if the *Rascoe* case is the law?

#### Claims Disallowed on One of Three Grounds

When a claim for disability is refused by an insurance company, the refusal is usually on one of three grounds; either that the company denies that the insured is permanently disabled within the terms of the policy, or that the policy was obtained by fraud or mistake, or has lapsed. In the former there is no renunciation of the entire contract; there is a refusal to pay under the terms of the contract. The company says: "We recognize our contract but you have not brought yourself within its terms." Such refusal should not be construed as a renunciation of the entire contract. If the insured is in fact disabled within the terms of the policy, the refusal of the company is a breach of the contract. But it is not such a breach as amounts to repudiation of that part of the contract which is yet to be performed, and falls within the rule that where a breach does not go to the entire contract, it must be accompanied by a renunciation in order to allow a present action for the future installments.

In the case where a refusal to pay is based on fraud or mistake in the procuring of a policy or on lapse, a different question presents itself, for there the defense is not made on the contract and we have a clear renunciation. The renunciation must have been acted on by the other party.

Very often where there is a clear renunciation, the parties will thereafter discuss the merits of renunciation. The question then arises as to whether that discussion waives the renunciation. The tendency of the earlier cases was to treat such discussion as a waiver. Also under the earlier authorities it was held that until the renunciation was acted on the other party must hold himself in readiness to perform even to the point of tendering performance as his obligations under the contract became due. Later authorities, however, have taken the view that as long as the renunciation has not been withdrawn the other party need not perform and may at any time before it is withdrawn bring suit for the obligations that are due under the contract as well as those that are to become due in the future.

In conclusion, it seems that the trend of the courts has been to enlarge the field of contracts in which the doctrine of anticipatory breach will be applied.



## A Report of PROGRESS

### Shown in Five Year Periods

| INCOME |            | ADMITTED ASSETS |            |
|--------|------------|-----------------|------------|
| 1906   | \$ 383,730 | 1906            | \$ 661,429 |
| 1911   | 747,285    | 1911            | 1,952,407  |
| 1916   | 1,764,124  | 1916            | 4,922,477  |
| 1921   | 4,229,908  | 1921            | 11,997,486 |
| 1926   | 6,909,919  | 1926            | 23,224,251 |

| INSURANCE IN FORCE |               |
|--------------------|---------------|
| 1906               | \$ 10,576,110 |
| 1911               | 20,565,577    |
| 1916               | 48,026,506    |
| 1921               | 108,240,976   |
| 1926               | 169,801,503   |

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# Review of Life Insurance Decisions

By **CLARIS ADAMS**  
Secretary and General Counsel American Life Convention

**D**URING the current year, 448 cases involving life, health and accident insurance have been digested in the American Life Convention Legal Bulletin. This exceeds by more than 100 the number appearing during the last convention year. Incidentally, more than half of these cases appeared in the American Life Convention bulletin before they were published in the advance sheets of the Reporter System, and in several instances, we have digested cases which were not published by the Reporter System at all. Of the cases decided during the year, I have chosen for review those which seem to me the most important for the purposes of this paper.

## Several Cases On Tax Methods Decided

The constitutionality of Sec. 245 (a) (2) of the Federal Revenue Act of 1921, relating to deductions allowed life insurance companies as a basis for determining net income, was upheld in the case of National Life Insurance Company vs. United States (No. E-430), decided March 7, 1927, by the United States Court of Claims.

In *Duffy vs. Mutual Benefit Life*, 47 Superior Court 205, the Supreme Court of the United States held that that part of the reserve of a mutual life insurance company contributed by its policyholders constitutes invested capital within the meaning of the excess profits tax law of 1917, and that normal earnings thereon as defined by statute are properly deductible.

The result of this case was to free all mutual companies from the payment of excess profits taxes, as the earnings upon reserves were substantially less than the normal income deductible under the

law. The Treasury Department has taken the position, however, that this decision does not control in the case of stock companies, and therefore, a test case for stock companies must be litigated independently to settle their status under the law.

The Supreme Court of Ohio, on the other hand, held in the case of *Hess vs. Columbia Life et al.*, 156 N. E. 504, that Ohio companies may deduct the amount of their legal reserves from gross taxable credits in making returns of their property for taxation, on the ground that such reserves represent liabilities in the form of debts to policyholders.

## Decide Retaliatory Tax Provision

New York Life vs. State of Wisconsin, 211 N. W. 288, was a suit to recover taxes paid by the New York Life under the retaliatory tax law of Wisconsin. From 1917 to 1920, the state tax department of New York required the Northwestern Mutual to pay a tax of 1 percent on its gross premiums collected in that state, without deducting return premiums. Under the retaliatory provisions of the Wisconsin law, a like tax was imposed upon New York companies operating in Wisconsin. Subsequently, the New York courts held that the tax department of that state had erroneously interpreted the law, and that in calculating the premium tax, returned premiums were properly deductible.

The New York Life thereupon sued for a return of the excess taxes illegally exacted in Wisconsin. In the meantime,

the six-year statute of limitations had run. The court held that the cause of action for the return of excess taxes paid accrued at the moment they were exacted, and did not wait upon a final interpretation of the New York statutes by the courts of that jurisdiction. Inasmuch as the suit for refund was not filed until after the claim was barred by statute, there could be no recovery.

## Opposite Views Given on Federal Jurisdiction

The United States Circuit Court of Appeals for the Fifth Circuit and the Supreme Court of Arkansas came to exactly opposite conclusions in respect to the jurisdiction of federal courts in cases involving suits upon policies payable in installments. In each case, jurisdiction of the federal court was invoked upon the sole ground of diverse citizenship. The installments accrued amounted to less than \$3,000, but the face of the policy exceeded this sum, and a decision of the case would necessarily work an estoppel as to liability for future installments.

In *Wright vs. Mutual Life of New York*, 19 Federal (2nd) 117, the court said: "But the collateral effect of a judgment is not the test of jurisdiction."

In the case of *Standard Life vs. Robbs*, decided June 27, 1927, the Supreme Court of Arkansas, on the other hand, rests its decision on the exact distinction rejected by the Circuit Court of Appeals in the above case. The court said: "If liable at all, the insurance company is liable for \$5,000, and an ad-

judication of liability for the matured installments would be conclusive of liability for the face of the policy. The sum sued for can not be recovered unless the company is liable under this policy, and if liable at all, it is liable for the face value thereof, although that amount is payable in monthly installments."

It is interesting to note that both cases reversed contrary decisions of the lower court.

## Strict Interpretation on Incontestable Clause

Several cases have been decided during the current year, holding that the defense of suicide is not barred by the incontestable clause. Several cases hold that where suicide is an excepted risk, the raising of such a defense is not a "contest" of the policy within the meaning of the incontestable clause.

In the case of *Philadelphia Life vs. Burgess*, 18 Federal (2nd) 599, however, Judge Cochran expresses a contrary opinion. He says: "The policy must be construed as a whole, and the suicide clause must be construed in connection with the incontestable clause, so as to give effect to both. I think, therefore, that the meaning of the policy is by the incontestable clause to exclude every attack upon the policy, except for nonpayment of premiums, whether such attack arises under the suicide clause or otherwise, unless such attack is made within the two-year period."

## Change of Beneficiary Considered by Court

Several cases involving the right to change beneficiary have been before the courts during the past year. In the majority of cases, the question involved was

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whether insured had substantially complied with the policy provisions and turned largely upon the facts of the individual case. Two of these cases, however, present points of general interest.

In *Antley vs. New York Life*, 137 S. E. 199, the Supreme Court of South Carolina overruled a series of cases holding in effect that the beneficiary took a vested interest in the policy which could not be divested by assignment, even though the right to change the beneficiary had been reserved. The former cases, denying the right of assignment under policies reserving the right to change the beneficiary, were expressly overruled.

In the case of *Clark vs. Metropolitan Life*, 135 Atl. 357 (Maine), the policy in suit provided that change of beneficiary might be effected "by filing written notice thereof at the home office of the company, accompanied by the policy for suitable endorsement," and that "such change shall take effect upon the endorsement of the same on the policy by the company, and not before." Insured attempted to change the beneficiary, and in so doing, used a blank form furnished by the local agent of the company, which was not printed on or attached to the policy, however. The policy remained in the hands of the original beneficiary until after insured's death. The company paid the proceeds of the policy to the changed

beneficiary, and the original beneficiary brought an action at law.

The court held that under the wording of the policy in question, the change of beneficiary did not take effect until such change was actually endorsed upon the policy by the company, and that there was no evidence that insured ever demanded possession of the policy from the original beneficiary, and therefore, it could not be said that he had done all within his power to effect the change.

#### Mistake In Policy Not Binding on Company

In the case of *Hibbard vs. North American Life*, 212 N. W. 779 (Wisc.), the scrivener inserted by mistake, in one of the blanks provided for that purpose, a certain surrender value as payable at the end of the 10th year instead of the 20th. The court held that the policy could be reformed, and that the cash surrender value actually earned at the end of the 10th year, according to the printed table of values set out in the policy, was all that the insured was entitled to recover.

In *Peet vs. Peoria Life Insurance Company*, 16 Fed. (2nd) 928, (C. C. A. 3rd), insured applied for a policy of life insurance on the ordinary plan. He was issued instead an annuity bond, providing that if he made annual payments for a period of 20 years, he would receive

a stipulated annuity for the balance of his life, and that if he died within the 20 year period, he would receive his annual payments with certain additions. Insured died within the 20 year period and his beneficiary sued for the full face value of the policy applied for.

The court held that the acceptance and retention of the annuity bond for a number of years was quite persuasive of his acceptance of such bond in lieu of the policy applied for. If he did in fact receive and retain the same in ignorance of its true character, however, it still gives the beneficiary no cause of action on the type of policy applied for. The court said that a mistake of this character may be ground for the rescission of a contract, but it is never a basis for making of a new and different contract by the court, never assented to by one of the parties.

#### Company Given Harsh Rule on Accidental Means

In the case of *Buel vs. Kansas City Life*, 250 Pac. 637, the Supreme Court of New Mexico held that death from the disease known as "milk sickness," contracted from drinking milk from cows which had grazed on goldenrod, is within the double indemnity provision of a life insurance policy providing such indemnity "if the death of the insured should result from the effects of an in-

jury through external, violent and accidental cause." In arriving at this conclusion, the court relied largely upon the case of *Christ vs. Pacific Mutual Life*, 312 Ill. 533, in which death from typhoid fever resulting from drinking polluted water was held to be death from violent, external and accidental cause.

The Supreme Court of California, however, in the case of *Moore vs. Fidelity & Casualty*, 258 Pac. 375, held that the death of a nurse from infectious blood poisoning contracted while attending a patient suffering from such disease was not accidental within the meaning of an accident policy.

#### Various Findings on Accidental Means

The Supreme Court of Texas in the case of *International Travelers Association vs. Ross*, 292 S. W. 193, held that there was no liability under an accident policy where insured's death resulted from a ruptured blood vessel caused by strain during a fit of vomiting. The court said that it may be stated, as a rule of law governing accident insurance, that bodily injuries, of which sickness is the sole efficient cause, do not come within the scope of the provisions of an accident insurance policy.

The Appellate Court of Illinois in the case of *Vollrath vs. Central Life*, decided Dec. 29, 1926, to adhere to the rule already established in that state in holding that death under an anaesthetic was caused by accidental means, although no mischance of any kind contributed to the result. It held that an injury or death which is the unexpected result of an intentional act is an injury or death by accidental means, regardless of mischance or mishap in the performance of an act preceding the result.

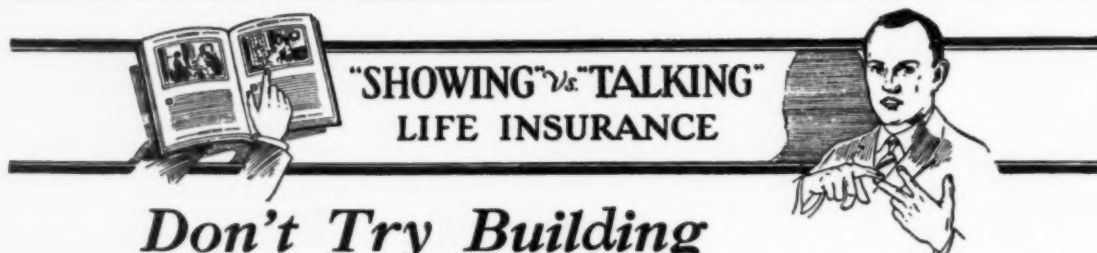
In the case of *Moutzoukos vs. Mutual Benefit Health & Accident Association*, 254 Pac. 1005, the Supreme Court of Utah held that a rupture sustained by the voluntary lifting of heavy timber in the regular course of employment is an injury sustained through purely accidental means. This ruling itself is not of particular importance, but the court says in the course of its opinion that there is no difference between "accidental injury" as the term is used in the workmen's compensation law of that state and the term "accidental means" as used in accident insurance policies, and actually cites cases decided under the workmen's compensation law as authority for its holding in the instant case. This strikes a dangerous note for accident insurance companies which needs only to be suggested to be appreciated.

#### Courts Lenient on Total, Permanent Disability

A number of cases have been decided during the year, interpreting the total and permanent disability clauses of life and accident insurance policies. They generally hold that the total disability contemplated does not require that the accident shall render insured absolutely helpless, but that such provisions shall be construed as meaning that disability which renders insured unable to perform the substantial and material acts of his business or occupation in the usual or customary way.

The court further held that "the ultimate fact to be determined is not what the plaintiff actually did in the way of business duties, but what, in the exercise of common care and prudence, he was reasonably able to do. \* \* The fact that the insured may do some work or transact some business duties during the time for which he claims indemnity for total disability, or even the fact that he may be physically able to do so, is not conclusive evidence that his disability is not total, if reasonable care and prudence require that he desist."

It is held that such disability must be actually both permanent and total, however, before insured is entitled to recover. The total and permanent disability clause does not cover a case where the insured is totally disabled temporarily and partially disabled permanently, and



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Read over the contents of the Tool Kit.—Then write George L. Grogan, Manager of Agencies, for complete information on why the Bank Savings Life is the Company for men who are looking for a real future.

## The BANK SAVINGS LIFE INSURANCE COMPANY

Topeka, Kansas

Admitted Assets \$3,519,222.00

Insurance in Force \$29,336,040.00



does not include disability to a limited degree, or disability from doing certain things while capable of doing others.

In *MacDonald vs. Calkins*, 251 Pac. 458, the Supreme Court of Arizona held that it was not an illegal discrimination to accept a premium note without interest. The court said: "We are of the opinion that so long as it is permissible to accept premium notes at all in payment of a policy, the mere fact that interest is not charged thereon is not a rebate, consideration or inducement within the meaning of Paragraph 3449, supra."

The *Balmer* case (*American Life vs. Balmer*, 214 N. W. 208), involving the question whether or not an agent of a life insurance company is within the terms of the Michigan workmen's compensation act, has been finally decided, at least so far as the courts of Michigan are concerned. In this case, the Industrial Commission upheld an award to the widow of an agent of the American Life who was killed in the course of his employment. A writ of certiorari was denied by the Supreme Court, which was applied for on the ground that the insurance agent was an independent contractor and not an employee within the meaning of the workmen's compensation act. A petition for re-hearing, which also raised the constitutionality of the act, was also denied. The insurance company then sought to enjoin the enforcement of the commission's award, upon the ground that the act was invalid and the award without support in law or in fact. The petition was denied.

The court held (1) that the agent was an employee of the company and that his accidental death arose out of and in the course of his employment, and therefore, his death was compensable under the compensation law; (2) that the workmen's compensation act of Michigan is constitutional; and (3) that the company having accepted the provisions of the act, was not in the position to attack its validity.

#### CADIGAN REVIEWS HISTORY OF JUNIOR ASSOCIATION (CONTINUED FROM PAGE 7)

years is as great as it has been in the first three years of the association's existence this goal will surely be attained.

In order to reach this point, however, we are dependent on the support of every member company of the A. L. C. We sincerely believe that we can help the younger men in your official families, and bring them to a better appreciation of that great business in which we are all so keenly interested.

We are truly grateful for the encouragement and cooperation shown by the officers of the A. L. C. Particularly do we wish to express our thanks to Claris Adams and his assistant, Mrs. L. F. Beymer, to whom goes the greater share of the credit for our growth during the past year.

For the benefit of those who may not be aware of the aims and ambitions of the Junior Association, let me say that the membership is restricted to men under 35, whose home office duties are of such a nature as shall, in the opinion of senior officers of member companies, entitle them to the benefits of what might be termed an apprenticeship in A. L. C. affairs, thereby fitting them in years to come to cope better and more intelligently with such problems of company or association work as shall be delegated to them.

For the further benefit of those members of the parent body whose apathy regarding the growth or aims of the Junior Association may have been inspired by the feeling that the tail was attempting to wag the dog, let me say that the Junior Association as a body, and its members as individuals are neither striving for nor expect undeserved recognition. Our representatives at this convention have come to sit at your feet to learn, to bask in the sunshine of such reflected glories as wiser and older heads may achieve, and to gain as much as possible from association and contact with you.

## Most Interesting Incidents of Business Development Told

DR. H. E. SHARRER, president of the Northern States Life, addressed the convention Wednesday afternoon on the subject "Interesting Incidents." He said:

"To me one of the most interesting things is the origin of life insurance itself. Its beginning, development and growth have been most astounding and peculiar. They seem not to be traceable to any one person or group of persons at any time.

"When we think of other great institutions, industries or corporations, the name or names of founders, builders or so-called captains stand out prominently as synonymous with the institution or industry itself, and linked together have gone down in history.

#### Needs of People Is Basis of Insurance

"But in life insurance we turn not to a person but to the needs of people themselves. Life insurance or assurance is immediately synonymous with love, unselfishness, thoughtfulness, stability,

safety and security. I wish we could turn to some pioneers who had laid the foundation for this wonderful service and grant to them the honor and respect that surely would be theirs.

"Perhaps one of the most interesting incidents to know is the story of the writing and issuance of the first life insurance contract, dated June 18, 1583, by members of the Royal Exchange of London on the life of William Gibbons, a term contract of one year only, at a premium of 8 percent of the principal sum, and that the insured must have been a Scotchman for he died on May 29, 1584, 11 months and 11 days after the issuance of the insurance and only 20 days before it would have expired. This first contract of life insurance ever issued was contested in the courts on the ground that legally one year or 12 months, was 12 times 28 days and therefore the policy had expired before the death of the insured. The courts, however, ruled otherwise and the claim was finally paid. I think the same ruling then made established the precedent for

all court decisions in contests relative to life insurance from that date to the present.

"We find the beginning of life insur-



DR. H. E. SHARRER, Hammond, Ind.  
President Northern States Life



## Central States Life Insurance Company SAINT LOUIS

Issues Policies at All Ages, 1 to 70. Both Participating and Non-Participating. Children's Policies with Waiver of Premiums Benefit to Parent. Double Indemnity. Disability Benefits, Dismemberment and Surgical Benefits. Special Monthly Premium Sight Draft Plan. Non-Medical. Sub-Standard. Sales Planning and Circularization Department. Producer's Club. Spirited Home Office Cooperation.

#### Available Territory In

ARKANSAS, CALIFORNIA, COLORADO, FLORIDA, ILLINOIS, IDAHO, IOWA, KANSAS, MISSOURI, MONTANA, MINNESOTA, NEBRASKA, OKLAHOMA, NEW MEXICO, SOUTH DAKOTA, TEXAS, UTAH AND WYOMING

WRITE DIRECT TO HOME OFFICE

ance in America to be literally a thing of sacred conception, selecting as its birthplace the First Presbyterian Church in Philadelphia. Here was created the first real life insurance company in America. Here was transacted the first business of the Presbyterian Ministers' Fund, the first corporation of its kind formed in this country and bearing the date January 11, 1759, started under a charter issued by 'Thomas Penn and Richard Penn, Esquires, true and absolute and proprietaries and Governors-in-Chief, in the Province of Pennsylvania, Counties of New Castle, Kent and Sussex on the Delaware, during the reign of the Sovereign, George the Second, in the year 1759,' and which continues to discharge its sacred trust in relief to the beneficiaries.

"Here is established a form of thrift, separate and distinct from serving alone. While it utilizes the great idea of thrift, it is merely incidental and not controlling.

"Have we not all been following the trail blazed by the pioneers? Our executives have developed this trail into a great highway of surety.

"We insurance men are constantly talking of the 'institution' of life insurance, yet we do not always have the 'institutional' turn of mind.

"Can you visualize the changes which would take place and what would hap-

pen in a few years if each of our individual organization or companies were able to stimulate the morale which comes of thinking of our jobs 'institutionally'; if each officer, employee and agent were absolutely and permanently possessed with the idea of the importance of his calling as a part of the greatest known institution of service to the world?

"And with this character of news being given the proper attention, there is no question that a great stimulus to the improvement in the character of

salesmanship would of itself be prompted. And when the ducks fly northward, we would not fear, as we do now, the two great dilemmas, one the cold storm of winter and the other and more harrowing, the convening of the legislatures, because public sentiment created through realization of the value of this institution and the character of its representatives would stem the tendency to tax by foolish and detrimental legislation the greatest saving, stabilizing and protecting influence the world has ever known."

## Advertising Expert Pictures Gainful Results of Cooperation

DECLARING that the banks of the country stand ready to take the field with life insurance executives and salesmen in the development of life insurance trusts, and pointing out that this wholehearted cooperation would mean millions of dollars of new business to both bank and insurance companies, John Lee Mahin, New York, vice-president of Barron G. Collier, street car card advertising organization, addressed the American Life Conven-

tion at the Thursday morning session.

Mr. Mahin read to the convention many extracts from a survey of life insurance trust activities of bank and trust companies, which was prepared by the statistical department of the Collier organization, after interviewing 800 institutions on the subject.

"We asked these institutions three questions," said Mr. Mahin. "First, 'Is there active cooperation between your trust organization and responsible life

underwriters in your city—and in what way?' Second, 'Has your organization encouraged such cooperation by spending money to cultivate it?' Third, 'If not, are your plans leading in that direction?'

"The answers were surprising. Of these, 62.5 percent reported themselves as fully active; 8.5 percent declared themselves ambitious to develop; 14.5 percent acknowledged their activity to be limited; 5.5 percent declared themselves passive; and only 9.0 percent were returned as negative.

### Most Bankers Are Found "Rarin' to Go"

"Summing this very informative classification up, we find that 85.5 percent of those from whom we received replies recognized the tremendous opportunity which constructive, active, intense cooperation with recognized life underwriters offer. They are not just ready. They may well be described as 'rarin' to go'—and just how far they do go depends on you insurance men.

"The bank and trust companies are looking to you to take the initiative. What I should like to know is, what are you going to do and how are you going to do it?

### Believes Cooperation Will Result Gainfully

"Your necessary objective is to reach the vast side of humanity which daily moves from home to business and back again. Unaided, your representatives, the life insurance salesmen, can hope adequately to serve only a small fraction of 1 percent of that great throng. Aided by the right sort of advertising, they with the cooperation of the bankers and the advertising men should reap a great harvest. The question is 'How?'

"First, make your advertising do two simple things, two things which are vitally important. First, have it strike a spark of new interest in the readers' minds by a series of questions based on the many but little-known things which present-day life policies may be made to do. Second, couch these questions in such a way that the prospect will look to the life insurance salesman for the answer. He'll do it, if the advertising copy is properly prepared. Then, ring in your banker and the circle is complete."

Mr. Mahin discussed the various advertising media, but declared that for the present problem of reaching the greatest number of readers at the smallest cost, a combination of newspaper and street car card advertising offers the most logical. Street car cards, the speaker said, reach more than 40,000,000 persons daily in the United States, and the newspaper stands preeminent as the one medium for backing up the permanent fundamental service rendered by insurance companies and banks with the everyday human activities and the constantly changing problems confronting us in our everyday affairs.

## Our Endorsement

Of the principles and practices of the National Association of Life Underwriters is simply another way of saying that we depend on our loyal agents for the growth and development of our company. On our side, we endeavor constantly to back our agency force to the very limit with home office service as nearly perfect as we can make it.

Southern Union Life offers men who are high standard themselves, the representation of a company firmly committed to the highest standards of business procedure — thoroughly modern in its policy contracts and home office and field methods.

Good Territory Available in Texas and Oklahoma

## SOUTHERN UNION LIFE INSURANCE COMPANY

JAS. L. MISTROT, Pres.

Ft. Worth, Texas

TOM POYNOR, V. P.



JAMES CRAVENS, Houston  
President American Provident Life



# Realty Mortgages Sound Investment

By **WALTER H. ECKERT**  
General Counsel, Federal Life

**I**N this age of complexes I have long since realized that the one most outstanding with me is my insistence on the desirability of real estate mortgages as an investment for life insurance funds. The real estate mortgage is the first and oldest form of security known to mankind. We read of it in the Book of Nehemiah.

The mortgage was later used by the Greeks and the Romans and in England by the Anglo-Saxons before the Norman conquest. When mortgages first came into existence, the mortgagor delivered possession of the premises to the mortgagee, who retained possession until the debt was paid. Under later developments the mortgagor was allowed to remain in possession of the mortgaged premises but the rents and profits thereof had to be applied first to the payment of interest. Today a well-drawn mortgage pledges the rents, income, issues and profits as well as the property itself, not only for the payment of interest, but for the payment of principal, and all expenses incident to maintaining the property in a good state of repair free and clear of all liens.

## Mortgage Safest Investment Form

The real estate mortgage in addition to being the oldest form of investment security is unquestionably the safest. This does not mean that every real estate mortgage is a safe investment, but has reference only to those which are carefully selected as to the kind of improvement, locality where the improvement is situated, margin of security and integrity of the maker of the paper. None of these requirements should be disregarded by a person who is devoting

his conscientious efforts to placing trust funds.

I realize that there is great diversity of opinion as to what kind of improvement forms the best security for mortgages. My experience has been that a one- or two-family dwelling occupied by the owner is the best type of improvement on which to lend money. It is the natural instinct of every man who has the inclination to purchase a home of his own to clear it of incumbrance as rapidly as possible. Statistics show that many people who for years have been in the habit of dissipating their income become most thrifty on the purchase of a home.

## Losses Usually Occur During General Depression

The only serious danger of loss on this character of investment arises during a period of general depression, when the main support of the family is forced out of employment for a long time. The locality where the improvement is situated therefore becomes most important. It is my belief that it should lie within a section of a large and constantly growing city that is in the line of the general development of that city and in close proximity to a substantial industrial center. The worst that can happen to a loan so located is that during a period of depression the owner may default in his payment to the extent of necessitating a foreclosure and the taking over of the property under foreclosure sale. But if the loan is made on a sufficient margin of security the property invariably

has a resale value in excess of the amount due.

The margin of security is therefore of prime importance. I am sure we are all in accord that there could be no substantial loss on a loan of the character under discussion where the amount loaned does not actually exceed 50 percent of the fair cash market value of the property. The losses that do occur are when the loan is represented to be only 50 percent of the value of the property, but is in fact, in excess of that proportion. Those loans are usually made because of ignorance of values on the part of the person making the appraisal. A loan agent fully equipped to pass on the value of property should maintain in his employ someone familiar with construction costs who can ascertain the reproduction value of the building under consideration and who is also well acquainted with real estate values in the community in question. Inquiry should be made to ascertain the price for which owners in the locality are willing to dispose of similar property. The prices at which such property in the neighborhood has recently been sold should also be ascertained from sales agents and from the recorder's office. From all of this data the fair cash market price should be determined.

## Construction Loans Safest and Choicest

If your loan agent is financially able to make construction loans and carry them to completion, as is frequently done, you usually secure the safest and choicest loans, because in addition to

having a loan on a new building, which is more desirable, the money is paid out as the work progresses, affording your representative knowledge of the exact cost of the building. It is advantageous to insert a provision in loan agreements made with builders, which is carried into the trust deed securing such loan, to the effect that if the premises are sold for less than twice the amount of the loan, the loan shall be automatically reduced to one-half of the sale price of the property and the balance shall become immediately due and payable. Observation of these methods reduces to the minimum the possibility of an excessive loan.

This leaves for discussion the one remaining factor—the integrity of the maker of the paper. A natural inquiry is what difference does that make if you have plenty of security? The answer is that the satisfactory loan is one where you do not have to resort to the security, and which, after being made, requires no further attention on the part of the lender; one where the taxes are paid when due and evidence thereof forwarded to you promptly; one where the premises are well maintained and where interest and principal are met according to the terms of the loan.

## Loans on Other Property Require More Care

Loans on improvements of a different type than those suggested, while perfectly safe if carefully selected, require a much greater degree of care and should be made only by persons well versed in building costs and possessing long and wide experience with conditions in the locality of the improvement. A loan on an office building, an apartment house or an apartment hotel, for

## The Officers

of the

**Gem City Life Insurance Company**  
Dayton, Ohio

Cordially invite  
Life Insurance men  
to use the facilities of  
their Home Office whenever  
they may be in Dayton

October 28, 1927

## Growing Steadily

|  |                 |                |
|--|-----------------|----------------|
| Insurance in Force, October 1, 1927 .....        | \$73,122,536.09 |                |
| Gain Nine Months, 1927 .....                     |                 | \$9,037,934.18 |
| Percent of Increase over 1926 .....              |                 | 28.8%          |
| Issued, September, 1927 .....                    | 1,559,035.00    |                |
| Percent of Increase over 1926 .....              |                 | 39.1%          |
| Paid Business to October 1, 1927 .....           | 12,839,127.75   |                |
| Percent of Increase over 1926 .....              |                 | 20%            |
| Total Death Claims Paid to October 1, 1927 ..... | 1,547,051.22    |                |
| Total Dividends Paid to Policyholders .....      | 1,472,211.81    |                |
| Death Claims, 1927 to October 1st .....          | 189,970.00      |                |
| (31.7% of the Expected)                          |                 |                |
| Dividends Paid Policyholders 1927 to             |                 |                |
| October 1st .....                                | 230,392.72      |                |
| Dividends Paid Policyholders 1927 Exceed         |                 |                |
| Death Claims (21%) .....                         |                 | 40,422.72      |
| Assets, October 1, 1927 .....                    | 7,530,000.00    |                |
| Gain, Nearly .....                               |                 | 1,000,000.00   |
| Reserves on Deposit with State of Indiana .....  | 6,212,000.00    |                |
| (For Further Protection of Policyholders)        |                 | (Approximate)  |

## From Best's Insurance Reports, 1927

The Company is mutual, and is controlled by its Policyholders. From the inception of the Company its methods of management have at all times merited commendation. The Company has had a moderate, steady growth. The ratio of net resources to liabilities is sufficient. The expense of management and the cost of new business is moderately low. The mortality rate is very favorable. Its investments are well selected, consisting mainly of mortgage loans on real estate, and yield an excellent return. Its actuarial methods are sound. Death claims are promptly paid. The substantial dividends paid Policyholders render the net cost of Insurance low.

Operating in Indiana, Illinois, Michigan, Texas, Ohio, Minnesota, Iowa and Florida.

**Indianapolis Life Insurance Company**

Frank P. Manly, Pres.

Edward B. Raub, Vice-Pres. & Counsel

Joe C. Caperton, 2nd Vice-Pres. & Agency Mgr.

illustration, has many hazards. You have the question of value, which is established primarily by the earning power of the improvement. The construction or replacement value of such a building is hard to ascertain and you will find that experts vary widely in their valuations. Furthermore, there is always the opportunity to pad the contract or cost prices or vary the specifications on a large project, which does not exist in the loan on a smaller property about which most of us have some personal knowledge.

It has become quite the custom on the part of some people in the big cities, to borrow enough money to purchase a lot, erect a large building on it and take out a profit. There is also the problem of management and the further problem of the large number of vacancies that occur in times of depression. If a new building is erected in the community where the property is located on which you have a loan, there is apt to be a considerable exodus of tenants from the old to the new building and the owner is confronted with the problem of renting the vacated apartments or offices. I have seen buildings during hard times that had so many vacancies that watchmen had to be employed to protect the property. Taxes, insurances, etc., during such times of depression do not decrease and the whole building must be

heated for the benefit of the remaining tenants, so that the burden becomes very heavy.

Buildings, such as theatres, garages, manufacturing plants and the like are subject to many of the same risks and to the additional hazard that the particular industry may at any time suffer a slump which would require the abandonment of the business at a time when it would be most difficult to find anyone else to take it over, thus naturally impairing the security of the loan. This latter character of financing and industrial financing are accomplished by means of bond issues. When trouble comes and it is necessary to take action you find yourself called on to operate a business that has suddenly been thrust on you which is in failing circumstances and with which you are not familiar. Or you discover that you are merely one of a number of persons or corporations similarly situated, who can act only through a bondholder's committee the members of which may disagree and usually have other and more important matters requiring their attention. The inevitable loss of time and money which then confronts you will seldom occur in the case of a real estate mortgage which you own entirely.

Governmental and municipal bonds issued by substantial and progressive gov-

ernments and municipalities are in a different class and merit consideration.

A person investing insurance funds is an investor, not a speculator, and as such should put his securities away confident that the principal will remain intact and that he will get it back at maturity. The stability of a real estate mortgage is the natural result of the steady and increasing demand for real estate, which constitutes the underlying security for such a loan. Statistics will show that during the last three panics this country has experienced and during the period of deflation after the World War, well selected real estate mortgages depreciated less than any other securities, not even excepting Liberty bonds.

### Blackburn Tells of Insurance Legislation

Thomas W. Blackburn, associate counsel, American Life Convention, gave a resume of insurance legislation for the year. He said the policy of life insurance has been to direct legislation, rather than institute it. While standard provisions have not been generally adopted, he said where new insurance codes have been enacted, they had been very generally incorporated. He said the taxation problem is a continuous one, and

the more the subject is agitated, the more legislators turn to insurance companies for the production of revenue. The only tax increase measure that was passed came from Ohio.

The sessions of the present year have been conspicuous for special bills. Several attempts have been made to broaden the rights of minors to take insurance. Kansas was the only state to adopt a new complete insurance code. The only state to pass a law permitting the use of the American Men Ultimate Table was Connecticut.

Mr. Blackburn reviewed at length the legislation coming before the several states.

#### Convention Room Air-Cooled

All the windows in the convention room were closed to keep out the noise. Next door, construction work was in progress, with rivet machines at work. Although Dallas was hit by an October hot spell, the air-cooling ventilating system of the hotel kept the temperature at 72 degrees.

#### Discuss Suicide Cases

FRANCIS J. WRIGHT, assistant counsel for the Midland Mutual Life of Columbus, O., discussed the right of an insurer to a directed verdict in suicide cases, in his address before the Legal Section of the American Life Convention. Mr. Wright said, in part:

"A review of the cases discloses that the companies have almost without exception requested directed verdicts on the issue of suicide. In relatively few cases have the companies been successful. In those cases where the issue of suicide has been submitted to a jury the insurer is rarely successful. This is no reflection on counsel for the companies. The sympathy of jurors for the beneficiary and, to some extent, a prejudice against insurance companies is responsible for this condition.

#### Legal Presumption Against Suicide Met

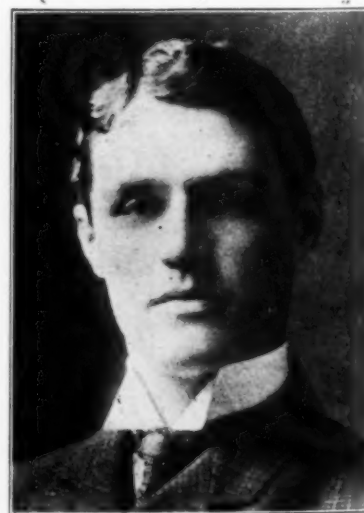
"At the threshold of the defense of these cases insurers are met by the legal presumption against suicide. This presumption is said to be based upon the universal desire of people everywhere to live and to avoid death. It is so well established that it is invoked in all cases involving the issue of suicide. The presumption is not, however, conclusive. Most of the authorities hold that it may be overcome by a preponderance of the evidence although there are a few jurisdictions in which it is held that it can be overcome only by clear and convincing evidence.

"It may be too much to expect that the courts themselves will undertake to remedy this situation because of their deep-rooted reverence for legal precedent, but it may be that a movement, such as the one sponsored by Dean

# CONTINENTAL CASUALTY COMPANY

H. G. B. ALEXANDER  
*President*

# CONTINENTAL ASSURANCE COMPANY



EUGENE J. MCGIVNEY  
General Counsel Pan-American Life



## Are You Still A Sub-Agent?

AMBITION, with PUNCH necessary to put things over in a BIG WAY will secure for you a business of your own which you can manage and develop.

### WHY NOT BECOME A GENERAL AGENT?

Many successful agents outgrow their present duties, and continue as sub-agents only because no opportunity is given for promotion.

TERRITORY — the States of Arkansas, Louisiana, Oklahoma and Texas.

Your communication will be treated with confidence.

IRA F. ARCHER  
*Superintendent of Agencies*

## LOUISIANA STATE LIFE Insurance Company

HOME OFFICE  
SHREVEPORT, LA.

## The LAFAYETTE LIFE Insurance Company

LAFAYETTE, INDIANA



COMPANY'S BUILDING

### OPERATING IN

Michigan Ohio Indiana Kentucky Illinois  
Iowa Missouri Kansas and Nebraska

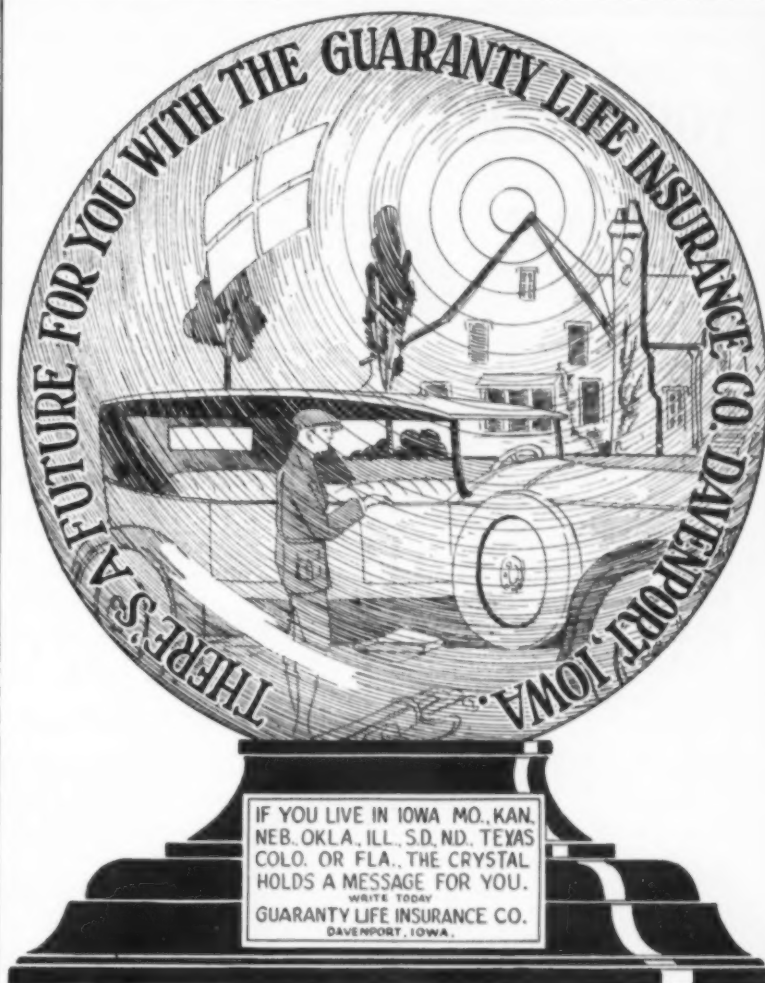
W. W. LANE, Secy.-Treas.

A. E. WERKHOFF, President

W. R. SMITH, Supt. Agencies

### GREETINGS!

To Those Who  
Labor For The  
Protection Of  
The Home,  
The Aged,  
And Business.



IF YOU LIVE IN IOWA MO., KAN.  
NEB., OKLA., ILL., S.D., ND., TEXAS  
COLO. OR FLA., THE CRYSTAL  
HOLDS A MESSAGE FOR YOU.  
WRITE TODAY  
GUARANTY LIFE INSURANCE CO.  
DAVENPORT, IOWA.

## ATLANTIC LIFE

-- conservative yet aggressive.  
Sound in its management and  
progressive in its policies.

Writes all modern types of  
coverage on Participating and  
Non-participating forms.

Twenty-seven years old, having more than  
\$145,000,000  
of insurance in force, and assets over  
\$18,000,000

Especially attractive Old Age  
Protection and Income Forms.  
We have some open territory.

Are You Interested?

ATLANTIC LIFE  
INSURANCE COMPANY  
Richmond, Virginia

*Honestly—It's the Best Policy*

## YOU CAN SELL

**WHEN YOU  
HAVE IN  
YOUR KIT—**

Participating  
Non-Participating  
Non-Medical  
New Rate Book  
New Policies for Children  
Sub-Standard  
Accident & Health  
Group  
Salary Savings  
Disability Benefits  
Double Indemnity  
Dismemberment  
Benefits  
Major Surgical Operation  
Benefits  
Age Limits Birth to 65,  
full insurance benefits  
from age 5.

**These and many other  
attractive features are  
included among the life  
insurance tools provided  
by the Continental Life.**

We have openings for  
General Agents through-  
out our thirty-six states.

**Write us frankly what  
territory you would like,  
and we will tell you  
whether it is open.**

## CONTINENTAL LIFE INSURANCE CO.

*Continental Life Bldg.*

**St. Louis**

**EDMUND P. MELSON**  
*President*



Pound of Harvard looking toward a scientific approach to legal problems, will suggest rules which, as applied to these cases, will more nearly assure justice to both parties. In the meantime, however, the companies will be obliged to pay claims where the facts strongly indicate suicide by the insured and this condition must continue until the legal principles applied in these cases are so changed as reasonably to assure the company of favorable results."

Mr. Wright's paper was discussed by Eugene J. McGinney, general counsel Pan-American Life, who reviewed particularly the Louisiana cases involving this question.

## WESTERN RESERVE LIFE INSURANCE COMPANY

MUNCIE, INDIANA



*Old Line Legal Reserve Company*

*Operates in Indiana and Ohio*

*Wanted: A few general agents in each State*

*Service to policyholders unsurpassed*

## UNION STANDARD LIFE INSURANCE COMPANY

WM. BACON, President

Home Office

Dallas, Texas



**WRITING ALL STANDARD POLICY CONTRACTS**

**Liberal Commissions and Renewals to Good Men**

**"A Southern Company Grow-  
ing with the South."**



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## THE NATIONAL UNDERWRITER

LIFE INSURANCE EDITION

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# TEAMWORK—

In the upbuilding of a life insurance institution, the degree of success attained is dependent largely upon teamwork between the Home Office and the representatives in the field.

Agents of the Detroit Life Insurance Company know that their organization is not too large to extend the friendly hand of co-operation and helpfulness at every opportunity. They appreciate the fact that the Detroit Life is "The Company of Service" to its field representatives as well as to its policyholders. The result of this team work is exemplified by over \$68,000,000 of life insurance placed in force in the State of Michigan in a sixteen year period.

The dynamic, progressive spirit of the agency organization which has made possible this notable achievement will carry the Detroit Life to still greater accomplishment in the years to come.

Men of ability in other lines of salesmanship or those interested in entering life insurance sales work are invited to communicate with our Home Office. Excellent territory is open in various parts of the State of Michigan and remunerative contracts are available to the right men.



## DETROIT LIFE INSURANCE CO.

*"The Company of Service"*

M. E. O'BRIEN, President

2210 Park Avenue

DETROIT, MICH.

## The Scope of the Salesman

(EXTRACT FROM ADDRESS TO AGENTS)

*The scope of the salesman is of wide range; the nature of the work is in some respects of peculiar character; the results, however, are of inestimable value to individuals as well as to organized society in general. Life insurance has never occupied a more important position in its relationship to duty and patriotism than it does today. It pays mortgages; it pays taxes; it educates the youth; it is a support to the widow; it is an anchor for independence in old age; its benefits will meet the requirements of the future as well as in the past and present. Thoroughly sell yourselves and resolve in your own mind to carry the message to others. Be thoughtful; be considerate; be courteous, and above all, teach yourselves to love your work. Your reward will follow as surely as night follows the day.*

J. B. REYNOLDS,  
President.

THE sentiment above expressed permeates the organization of this COMPANY and underlies the successful experience of its agents.

It is the solid rock on which the 360 million dollars of insurance in force and the \$45,000,000.00 of assets is built.

Annual educational conferences are held thruout the forty states in which the Company operates, which bring practical sales help to every agent.

Is it to be wondered at that they produce \$100,000,000.00 of new business annually?

## KANSAS CITY LIFE INSURANCE CO.

HOME OFFICE

3520 Broadway  
Kansas City, Mo.

J.B. REYNOLDS  
President

